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Equatorial Guinea
Oil bonanza for banana basket case
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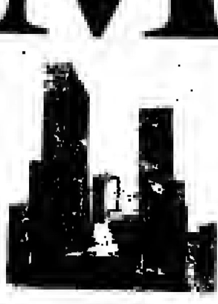

Today's surveys
Netherlands
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Separate Sections

European Union aims to counter US Cuba laws

The European Union is pressing ahead with moves to counter US laws penalising foreign companies that do business in Cuba. A tense day of talks in Luxembourg ended with Denmark dropping its threatened veto of the EU moves and agreeing to a compromise. The EU has already complained to the World Trade Organisation about the Helms-Burton law, but further counter-measures are seen as a test of Europe's credibility in trade policy. Page 4

Air France hinted it might bid for AOM, its domestic rival. The suggestion comes as British Airways looks set to boost its position in France by winning control of private carrier Air Liberté. Page 17

Portugal set to back bid: Lisbon looks set to approve an Es33.15bn ($215.7m) bid led by US cigarette maker Philip Morris for 65 per cent of state-owned tobacco company Tabaqueira. Page 17

Deutsche Telekom chief Ron Sommer said the German company's priority would be cutting its debt to DM65bn ($42bn) by 2000 – even if it meant forgoing chances to expand. Page 17

Army admits killings: Burundi's Tutsi-dominated army admitted killing about 50 Hutu civilians earlier this month and said those responsible would be punished. Editorial Comment, Page 15

Bhutto gives up finance portfolio:

Beleaguered Pakistan prime minister Benazir Bhutto (left) gave up the finance portfolio she has held since coming to power three years ago. Her successor in the job will be privatisation minister Naveed Qamar. His appointment is seen as a move to please the International Monetary Fund, which has been withholding a $600m stand-by loan pending firm government action. Page 16; Warning on tariff cuts, Page 4

UK seeks to ban combat knives: Britain's Conservative government agreed to consult all political parties on banning combat knives following last month's conviction of a youth for the fatal stabbing of a London headmaster. Page 9

McDonnell Douglas has scrapped plans to develop a large jetliner to compete with market leaders Boeing and Airbus. The move will revive questions about the aerospace group's future in the commercial sector. Page 20

Crackdown on tax debtors: Russia has launched its threatened crackdown on corporate tax debtors by starting bankruptcy proceedings against four big companies. Page 2

Ukraine plans to follow Russia into the international capital markets by issuing its first eurobond, possibly by early 1997. Page 3

European pensions: A British parliamentary committee will call this week for the scale of countries' unfunded pension liabilities – those not covered by specific assets – to become a new criterion for eligibility to join a European single currency. Page 9

Citibank: Japan's post and telecoms ministry has granted Citibank permission in principle to link with nearly 23,000 automated teller machines operated by post offices across Japan. Page 17

Fever hits Vietnam: Dengue fever has broken out in Vietnam's Mekong Delta following the worst floods for years. Nine people have died and 4,000 cases have been reported.

Bulgarian Socialists beaten: Bulgaria's ruling former communists lost in weekend presidential elections, according to official preliminary results showing opposition candidate Petar Stoyanov ahead with 43.65 per cent of the vote with Socialist rival Ivan Marazov on 27.07 per cent. Page 2

Marcos jewels to be auctioned: A Philippines court approved the auction of almost of $12m of jewellery belonging to former first lady Imelda Marcos. A Marcos family request to stop the sale was rejected.

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■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,998.21	(-10.81)
NASDAQ Composite	1,220.78	(-1.82)
Europe and Far East		
CAC40	2,150.39	(-12.04)
DAX	2,703.83	(+29.61)
FTSE 100	4,025.3	(+2.9)
Nikkei	20,885.41	(+145.44)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.131%
Long Band	95½
Yield	6.828%

■ OTHER RATES

UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	99⅞	(99⅞)
France: 10 yr OAT	103.72	(103.89)
Germany: 10 yr Bund	101.49	(101.64)
Japan: 10 yr JGB	102.8297	(102.569)

■ NORTH SEA OIL (Argus)

Brent Dated	$24.455	(24.11)

■ GOLD

New York Comex		
Dec	$384.6	(same)
London:		
close	$383.15	(382.7)

■ DOLLAR

New York lunchtime		
£	1.61135	
DM	1.517	
FFr	5.1285	
SFr	1.258	
Y	114.18	
London:		
£	1.6121	(1.6041)
DM	1.5203	(1.5234)
FFr	5.1335	(5.1433)
SFr	1.2883	(1.2623)
Y	114.245	(113.385)
Tokyo close:	Y 113.5	

■ STERLING

DM	2.4506	(2.4436)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lis 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr22
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	Skr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.30	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)		Turkey	L130,000
Germany	DM4.00	Lebanon	LL3500		Es265	UAE	Dh13.00

Drop in deficit boosts Clinton in week before poll

By Patti Waldmeir in Washington

President Bill Clinton yesterday began the final week of the US presidential election campaign by announcing a drop in the federal budget deficit to the lowest level in 15 years. It was an attempt to lift the spirits of voters with more of the positive economic news that has given him such a commanding lead in the opinion polls.

Exploiting the advantages of incumbency to the limit, Mr Clinton unveiled the deficit figure with considerable campaign fanfare. Two young Democrats pulled a cord to reveal the new number on a red, white and blue banner behind the president at a rally in St Louis, Missouri. The banner showed the deficit for the fiscal year to September 30 was $107.3bn, down 63 per cent from 1992. It is the lowest deficit since 1981, when it stood at $79bn.

Before Mr Clinton had spoken, in what has become known in the 1996 campaign as a "prebuttal", senior Republicans began claiming credit for the reduction. Mr Haley Barbour, Republican party chairman, said: "This is a huge credit to the commonsense Republican Congress which fought for spending constraints." But the advantages of office could ensure that more credit for the decline goes to the president than to Congress.

America prepares to vote
The races that count
Page 6

Mr Franklin Raines, director of the White House Office of Management and Budget, acknowledged that the drop reflected stronger-than-expected economic growth and efforts to control government spending. Each accounted for about half the decline, he said, adding that the deficit was expected to grow in 1997.

The president's political advisers were not stressing such economic niceties: they want the headlines to reflect that last year was the fourth straight year of decline, and that Mr Clinton had more than fulfilled his 1992 promise to halve the deficit.

Opinion polls show that the size of the deficit is an important issue among American voters. They have largely rejected Republican candidate Mr Bob Dole's promise of tax cuts because they fear the effect on the deficit.

Yesterday's news gave Mr Clinton an opportunity to take a swipe at Mr Dole, who has become increasingly shrill in his denunciations of the president's character and turned on voters to accuse them of failing to "wake up" and reject Mr Clinton as president.

"I would say that these results prove that America is awake and moving in the right direction," Mr Clinton said. The new figure provided "more evidence that our economy is on the right track". Opinion polls show voter perceptions of a healthy economy are the most important reason for Mr Clinton's two-digit poll lead before next Tuesday's election.

Mr Clinton made the announcement at the start of a three-state tour of the Midwest, traditionally a region where support for Democrats and Republicans is balanced and where the election result is usually close. This year, Mr Clinton holds a strong lead in opinion polls in many Midwestern states, highlighting the weakness of Mr Dole's campaign.

The former Senator was yesterday campaigning in California, where he spent the weekend issuing increasingly gloomy warnings about the President's character, even implying that Mr Clinton might be impeached because of ethical violations.

He insisted that he was merely repeating a warning from Mr Ross Perot, the Reform party presidential candidate.

US president Bill Clinton begins his campaign tour of the swing states in St Louis yesterday AP

Nazi gold inquiry accepted by banks

By Norma Cohen in London

Swiss banks have agreed to the most sweeping investigation ever into their secretive banking practices, giving independent auditors "unfettered access to all relevant files" about the dormant accounts of Nazi victims.

The auditors will be asked to discover whether the banks illegally disguised the accounts in previous investigations to avoid handing over proceeds to their rightful owners.

The International Committee of Eminent Persons, set up by Swiss banks and the World Jewish Congress in response to international anger over Switzerland's role in handling dormant accounts, has set out the terms of reference for its inquiry in a confidential nine-page memorandum.

The memorandum was sent on October 18 to the big six auditing firms seeking to become the accountants to the committee charged with carrying out the investigation. The committee is headed by Mr Paul Volcker, former chairman of the US Federal Reserve Board.

The memo, a copy of which has been obtained by the Financial Times, outlines plans for a pilot audit of four Swiss banks to be completed before June 1997 and the final audit to be completed by June 1998.

It says the accountants will have to investigate not only the existence of previously unreported bank accounts but also those which would have been classified as dormant were it not "as a result of actions that were inconsistent with the banks' legal or fiduciary duties".

The auditors will be required to "review the record-keeping practices at individual banks at the time of the account opening during the 1934-46 period, and

Continued on Page 16

German bank talks may lead to merger

By Frederick Studemann in Berlin

Bankers in Berlin said yesterday that talks between two of Germany's large regional banking groups could lead to a merger that would create the country's second-largest bank, with assets over DM500bn ($337.80bn), and would strengthen Berlin as a financial centre.

In a joint statement, the two banks, Bankgesellschaft Berlin and Norddeutsche Landesbank, said it was agreed at a meeting of their boards on Friday that talks aimed at developing a closer working relationship should be stepped up.

The statement emphasised that Mr Eberhard Diepgen, the mayor of Berlin, and Mr Gerhard Schröder, minister-president of the state of Lower Saxony, had attended the meeting. The city of Berlin holds a 56.6 per cent stake in BGB and Lower Saxony owns 40 per cent of Nord/LB.

Nord/LB said talks had been taking place for some time, but were geared towards a co-operative venture, not a merger.

BGB and Nord/LB have already established a joint data-processing subsidiary, merged their mortgage banking operations and set up a consulting company to advise public sector bodies on project finance and privatisation.

Nord/LB already has a 15 per cent direct equity stake in BGB, and, through a 25 per cent stake in Gothaer Beteiligungsgesellschaft, the investment arm of the Gothaer Insurance group, has a further indirect holding of 2.5 per cent.

Against the backdrop of increasing consolidation in the banking sector, a merger of Nord/LB and BGB has often been seen as a likely move.

But it is a problematical one as it requires agreement by four regional governments.

The news that Mr Diepgen and Mr Schröder have given their support for a stepping up of talks has been interpreted as a sign that prospects of a merger have improved.

As well as the government of Lower-Saxony, Nord/LB's shareholders include the east German states of Mecklenburg-Vorpommern and Saxony-Anhalt, each with 16.66 per cent, and Lower Saxony's savings banks, which hold 26.66 per cent.

Besides its direct majority stake in BGB, the city of Berlin owns a 25 per cent stake in Landesbank Berlin, one of the three banks which were brought together in January 1994 to form BGB.

Since then BGB has grappled with the costs of consolidation. Operating profits in the first half of 1996 fell 39 per cent to DM310m, while costs rose 12 per cent to DM1.2bn.

In the first nine months of 1996, Nord/LB had operating profits before provisions of DM616m, 16 per cent up on the previous period. Administrative costs rose 6.7 per cent.

Observer, Page 15

SA groups unravel web of holdings

By Mark Ashurst in Johannesburg

The complex web of cross-shareholdings among South African conglomerates unravelled further yesterday as Malbak, the industrial group, announced plans to unbundle its subsidiaries.

The move is driven by Sanlam, the country's second largest life assurer, which plans to scale down its non-core investments to focus on its financial services business. Sanlam, together with Sankorp, its industrial holdings subsidiary, has a controlling stake of 31.7 per cent in Malbak.

Mr Peter Beningfield, Malbak's acting chief executive, said unbundling would add at least 15 per cent to the value of its listed subsidiaries. The details had not been finalised, but the move was likely to combine disposals with share transfers to Malbak shareholders.

Advisers have valued Malbak's assets at R24.60 ($5.40) a share, a premium of 15.2 per cent to yesterday's trading price of R21.50.

Malbak has a market capitalisation of about $1.6bn and interests spanning most of the non-mining sector of South Africa's economy. They include Foodcorp, a food producer; Kohler, a packaging group; SA Druggists, a pharmaceutical supplier; two retail chains, Ellerine and New Clicks; and a diverse portfolio of non-listed subsidiaries from electrical goods to freight and motor vehicle retail.

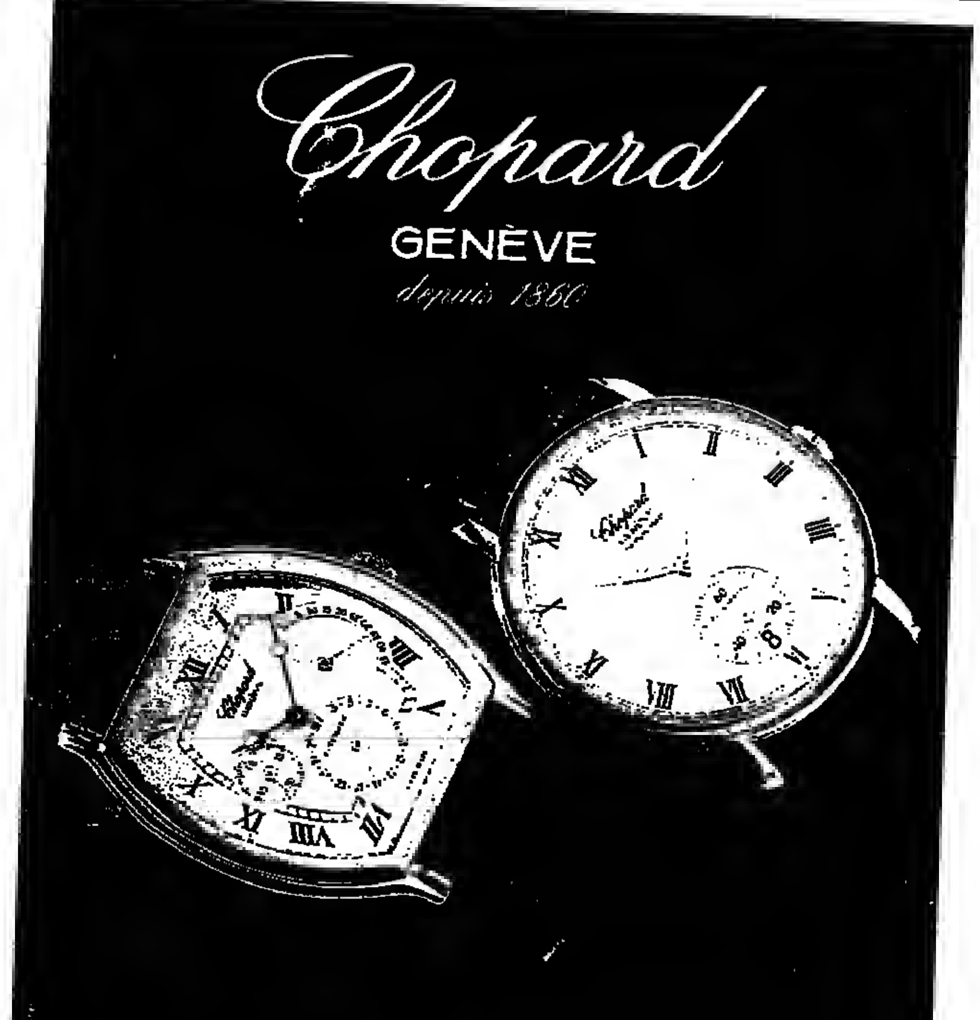
Mr Beningfield said most of the unlisted companies would be sold for cash, and the proceeds distributed to shareholders. Where bids fell short of the "full value" of the unlisted companies, they would be held for disposal at a later date.

For listed companies, the group would consider selling its controlling stakes "in a single transaction to secure a control premium and to secure a similar offer for minority shareholders".

In terms of a voting agreement, Sanlam's stake in Malbak is pooled with 6.4 per cent held by Rembrandt, the tobacco and industrial group held by South Africa's Rupert family. Sanlam and Rembrandt also have a combined shareholding of more than 35 per cent in many of the underlying companies. The unbundling will effectively dilute their control but boost the value of their investment portfolios.

Mr Marinus Daling, chairman of Sanlam, has indicated that one of the main objectives of unbundling is to create

Continued on Page 16



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Future EMI chief warns too much stress being placed on one-off budget measures

Rush to qualify for Emu condemned

By David Brown in Amsterdam

The stability of Europe's planned single currency is being put in danger because aspiring member countries are relying too much on one-off budgetary manoeuvres to secure their place. This is the view of Mr Wim Duisenberg, the Dutch central bank governor, who is to preside over the transition to monetary union.

Mr Duisenberg, who will become president of the Frankfurt-based European Monetary Institute next July, said in an interview that structural deficits and debt levels were not being paid enough attention.

Spain and Italy have made clear this month that they intend to go all-out to qualify for the first round of monetary union in two years' time. This will require special arrangements in their national budgets for 1997, the year on which eligibility will be judged.

Among harder currency countries, the Netherlands – where public debt remains outside Emu convergence criteria – was itself using exceptional measures, such as running down the treasury's Fl 10bn-plus (about $42m) account with the central bank, he conceded.

"Of course, various tricks and one-off measures can effectively bring one's figures near or under the target criteria for 1997, but the essence of the Maastricht exercise is that reform should be pursued in a more structural way," he said. Mr Duisenberg, a monetarist, has maintained a fierce independence from Dutch government policy.

But in a strong defence of the Emu project, he maintained that Europe could count on faster economic growth and higher employment if it moved determinedly towards the single currency regime. This is in contrast to those who argue that the plan could depress growth, darken prospects for Europe's 18m unemployed, and force the costs of the transition on to the public at large.

Mr Duisenberg, who is also tipped to head the European central bank, successor to the EMI, insisted the EU's high jobless rate was due to cyclical factors and labour market rigidities. However, the move towards Emu had inspired governments to take steps to improve the functioning of their labour markets and reduce their role in the economy overall. This would naturally help fight unemployment.

Mr Duisenberg's remarks come against a background of deteriorating labour relations and further signs of a fraying social consensus in many parts of the EU. Within the past fortnight Germany, France and Belgium have suffered nationwide strikes, while both France and Austria have witnessed an electoral polarisation towards anti-European extremes.

He rejected suggestions that fears among bankers about access to the Target currency clearing system were symptomatic of a deeper split emerging between Emu "ins" and "outs" within a multi-track Europe.

Mr Duisenberg described the split over Target as primarily a technical issue, although it had political and commercial overtones. He said several commercial banks, in countries such as Denmark, had signalled that they might transfer their central treasuries to place themselves within the single currency area.

Stable exchange rates would improve the effective functioning of the market overall, he maintained.

See Netherlands survey

Russia moves on corporate tax debtors

By John Thornhill in Moscow

The Russian government has started carrying out its threat to crack down on the country's worst tax debtors by launching bankruptcy procedures against four big companies.

The move is designed to tackle the government's severe budgetary problems, which have led to long delays in paying pensions and wages and sparked a breakdown of talks with the International Monetary Fund over disbursement of the latest monthly tranche of its $10.2bn loan.

Mr Pyotr Mostovoi, head of the federal bankruptcy agency, said the government had threatened a further seven companies with bankruptcy unless they paid their bills within a week and would investigate 12 more big oil and gas companies.

The government's efforts to get tough with tax debtors by publishing lists of how much various companies owed were already beginning to bear some fruit, Mr Mostovoi said.

"Many of the enterprises that were declared to be major non-payers of taxes, have now become more active," he said.

The four targeted companies include Moskvich, a troubled car manufacturer, Kamaz, a truck producer, Krasnodarnefteorgsintez, an oil refining concern, and Achinsky Glinozemny Kombinat, an aluminium company.

Two other oil companies have rescheduled their tax payments and are no longer on the list.

The government is likely to press for a reorganisation of the four targeted companies rather than outright liquidation, although Russia's bankruptcy procedures can be cumbersome.

Some of the targeted companies have complained their selection has been political and the government's move risks dragging regional leaders into disputes with the federal authorities.

Mr Mintimer Shaimiev, president of the central Russian republic of Tatarstan, where Kamaz is based, has denounced the government's initiative, saying he will support the truck producer.

More sparks could fly if the federal bankruptcy agency takes action against Zil, another troubled car manufacturer currently under scrutiny, which is backed by Mr Yuri Luzhkov, Moscow's populist mayor.

The government says it is employing three objective criteria for selecting targets: the size of a company's outstanding bills, the proportion of tax it has paid, and the absence of government debts to the company.

Mr Anatoly Chubais, head of the presidential administration, who is taking an increasingly active role in supervising economic policy, has said that it is "absolutely intolerable" that the rate of tax collection last month fell to 45 per cent of target.

Bulgarians sell some family silver

Urgent need for ready cash is forcing a reluctant Sofia to offer stakes in some of the country's few profitable state companies, writes **Anthony Robinson**

The vote of no-confidence in Bulgaria's Socialist government delivered in last Sunday's first round presidential election will not change its overriding priorities: raising more than $1bn to service its $10bn foreign debt next year; restoring confidence in the banking system; and persuading the International Monetary Fund to release the delayed $115m second tranche of a $580m standby loan agreed in July.

The government, which still thinks in terms of Soviet-style *dirigisme*, has come to the reluctant conclusion that only the rapid sale of the relatively few profitable state-owned companies provides an escape route.

A 25 per cent stake in BTC, the state telecoms company, is high on the list of 22 "jewels" to be sold to foreign strategic investors, along with copper mines, shipyards, steel and engineering plants, and banks.

The list also includes two chemical plants whose ability to survive years of under-investment and general economic collapse help to explain how some Bulgarian enterprises have managed to retain their status as valuable assets attractive to foreign investors ready to unlock their true potential.

The two companies are Sodi Devnya, which produces soda ash and related chemicals at Varna, Bulgaria's biggest Black Sea port, and Chimco, which produces urea fertiliser, ammonia and industrial gases at a relatively modern plant 90km north of Sofia, the capital.

Both are export-oriented and therefore partially insulated from the high inflation, shaky banks and political interference which have plagued the domestic economy.

The decision to build Chimco was taken after the discovery of a small natural gas deposit 15km from the town of Vratza. The deposit was exhausted soon after the Italian-built plant was completed in 1967, and, since 1974, the natural gas which provides both the chemical feedstock and power for the plant has come from the former Soviet Union.

Chimco keeps production costs down by reinjecting Russian gas into the natural reservoir during the summer when gas prices are low. Its specialised rail freight wagons and dedicated export warehouse in Varna harbour give it a cost advantage of $10-$15 a tonne over equivalent Russian plants at Togliatti which have to pay rail and transit fees through Ukraine and loading fees at the port of Odessa.

Faced with Russian dumping in the early 1990s which depressed world market prices, Chimco survived initially by switching the bulk of sales to the Chinese market and, since 1993, to North America.

Profits rose sharply on higher world prices for urea and ammonia in 1995 and nearly doubled again to $57m pre-tax in the first nine months of this year, according to accounts presented to potential buyers which include Daewoo of South Korea and Norsk Hydro.

Sodi Devnya, which is expected to be the first on the rapid privatisation list to be sold, sits on top of huge and cheaply exploitable deposits of limestone and salt, the basic inputs for its standard Solvay-process soda ash plant.

Half its output of around 200,000 tonnes a year is exported to South Korea for LG corporation's glass plants. Another 40,000 tonnes goes to South Africa.

What attracts the six foreign investors which have tendered is the potential for expanding production and exports. The bidders, which include LG of South Korea, Solvay of Belgium, Rhône-Poulenc Rorer of the US and Brunner-Mond of the UK, have submitted plans for substantial investment – one wants to raise capacity to nearly 1m tonnes a year by the end of the decade.

Such plans will be encouraged by amendments to the foreign investment law which offer a three-year tax break to foreign companies investing more than $5m and will permit faster depreciation than the meagre 4 per cent annually allowed by the current law.

But the foreign bidders' emphasis on high investment clashes with the government's overriding need for cash up front to head off a looming foreign debt repayment crisis.

In April, only Sodi Devnya, the Varna power station and the 25 per cent stake in BTC were earmarked for privatisation. The government hoped Sodi would bring in around $500m and the BTC stake $800m – more than the total $718m foreign investment in Bulgaria since 1991.

Realisation that this was wildly optimistic helps explain why the rapid privatisation programme has been expanded to 22 companies.

"For the first time in six years there is a clear political will in the government in favour of privatisation," says Mr Dimitar Radev, deputy finance minister. But, even with full government backing, the privatisation process takes time.

Foreign debt traders believe Bulgaria will be lucky to raise more than $500m in the first half of 1997 and the risk remains that the government's conversion to rapid privatisation has come to late.

Petar Stoyanov: doubt about his ability to win votes from disillusioned electorate Reuter

Voters show disdain for the main parties

By Anthony Robinson in London and Theodor Troev in Sofia

Bulgarian voters delivered a slap in the face to the governing Socialists in the first round of the presidential election at the weekend. However, they also showed little enthusiasm for the alternative Union of Democratic Forces (UDF).

With most votes counted, Mr Petar Stoyanov, the anti-Communist UDF coalition candidate, had won 44 per cent against 27 per cent for Mr Ivan Marazov, the Bulgarian Socialist party (BSP) candidate and his running mate Ms Irina Bokova. Eleven other groups shared the rest. Only 60 per cent of the electorate *bothered to vote,* however, *compared to* 75 per cent at the 1994 parliamentary elections when the BSP won 56 per cent and a clear parliamentary majority.

The run-off between the top two candidates takes place next Sunday.

The halving of the Socialist vote is a personal blow to Mr Zhan Videnov, the prime minister, who had promised to ease the pain of transition to a market economy but then delayed privatisation and other reforms until forced to by a haemorrhage of foreign reserves.

The low poll also means that Mr Stoyanov, who sought financial and moral support from the German government and an endorsement from President Alexander Kwasniewski of Poland while other candidates were campaigning in the towns and villages of Bulgaria, is only supported by 25 per cent of the electorate.

This raises a question mark over his ability to attract votes from Bulgarians who demonstrated their disillusionment with the mainstream parties by staying home or backing smaller groups.

The lion's share of votes for the latter *went* to *Mr George Ganchev, populist* head of the Bulgarian Business Bloc. He has emerged as a potential king-maker. His party used to support the Socialists in parliament and he probably received the votes of disaffected BSP supporters. But he has refused to endorse either of the run-off candidates and has blamed both main parties for contributing to the country's collapse.

Maltese elect anti-EU premier

By Godfrey Grima in Valletta

Mr Alfred Sant, leader of Malta's Labour party, was yesterday sworn in as prime minister with a mandate to withdraw the island's application for membership of the European Union.

Thousands of Labour supporters poured on to the streets to celebrate after Mr Eddie Fenech Adami, prime minister since 1987, conceded defeat in Saturday's general election.

Labour's dramatic victory over Mr Fenech Adami's centre-right Nationalist party represents a spectacular reversal in its fortunes since the last election.

In 1992, the Nationalists won a *13,000 majority* in the popular vote among the island's 274,000 electors. Last Saturday's poll put Labour 7,631 votes ahead and gave it a single-seat parliamentary majority. The party took 50.7 per cent of the popular vote and cut the Nationalists' share to 47 per cent from 51.9 per cent in 1992.

Mr Sant had campaigned on a promise to pull out of Nato's Partnership for Peace and to withdraw Malta's application to join the EU as a full member, filed by the Fenech Adami government in 1991.

Shortly after taking office, Harvard-educated Mr Sant, 48, said his priority was to maintain security in the country. Equally urgent, he added, was the launch of an all-out war against the spread of drugs. Mr Sant will form his cabinet after the vote counting process ends, probably tomorrow.

Several factors appear to have brought about Mr Fenech Adami's downfall, not least the introduction of value added tax last year to replace customs duties as part of his move towards hoped-for European Union membership.

Complaints by traders and middle class wage-earners *against the* increased transparency in income and cost of living rises created by VAT may have been taken too lightly by the Nationalists.

Reversing that reform, as he is pledged to do, would confirm Mr Sant's move away from EU membership.

EUROPEAN NEWS DIGEST

Hungary faces forex losses

Two senior Hungarian central bank officials, including the vice-president responsible for the country's large foreign debt, have offered to resign over a foreign exchange contract with Austrian bank Creditanstalt that may lose the state several million dollars. The matter has been referred to the cabinet.

Less than a month ago the industry minister and entire board of the state privatisation agency were sacked over irregular payments of about $5m to a consultant.

Analysts said the departure of Mr Frigyes Harshegyi and Mr Sandor Czirjak, both long-standing and respected central bank vice-presidents, would be a serious loss. Mr Harshegyi is one of Hungary's best-known officials and is the mastermind behind the country's successful foreign borrowing programme and debt management. Although still the largest per capita in the former east bloc, Hungary's foreign debt has fallen sharply, reaching $27.2bn at the end of May, down from a peak of $33.2bn in July 1995. *Virginia Marsh, Budapest*

SPD assails economic 'chaos'

Germany's opposition Social Democrat party yesterday obtained a special session of parliament tomorrow to debate the country's economic problems, but it failed to secure the return of Chancellor Helmut Kohl from the Far East. Mr *Rudolf Scharping,* the SPD's parliamentary leader, , said Mr Kohl should return to answer charges that the federal finances were "in chaos", the economy out of balance and the 1996 budget unconstitutional because borrowing was likely to exceed the legal limit.

However, Mr Friedrich Bohl, head of the chancellery, said Mr Kohl was drumming up employment on his trip to Indonesia, the Philippines and Japan. Also, Germany's six leading economic research institutes, which produce their traditional autumn report today, would forecast growth of about 2.5 per cent next year after about 1 per cent this year.

The government coalition yesterday put on a more united front after a weekend of tension in which the junior Free Democrat party warned of a possible rupture in the event of new tax increases. Mr Wolfgang Gerhardt, the FDP leader, said the present coalition was the only grouping capable of implementing much needed structural reforms. *Peter Norman, Bonn*

French poll plea rejected

Leading figures in France's governing Gaullist RPR party yesterday dismissed a call by the centre-right UDF, the junior coalition partner, that President Jacques Chirac should respond to France's economic and political malaise by either calling early elections, reshuffling his government or holding a referendum.

Mr Patrick Stefanini, a senior Gaullist and adviser to Mr Alain Juppé, the prime minister, said the appeal by Mr François Léotard, the UDF leader, for "institutional solutions" was for the president to decide, and would not in any case "directly answer the anxieties of the French people about unemployment". One Gaullist backbencher accused Mr Léotard of merely wanting a job in the government because he was bored being outside it.

Nevertheless, Juppé aides concede the main incentive for a reshuffle, perhaps next spring, would be to bring in Mr Léotard, who is proving an awkward critic of many aspects of government policy. *David Buchan, Paris*

Corsican talks claim

A Corsican nationalist claimed yesterday that he had had secret talks recently with senior French officials despite government denials that it had met groups linked with terrorists. Mr François Santoni, a leader of the Cuncolta, political wing of the FLNC-Canal Historique, responsible for a series of recent bombings, gave several names of senior officials he said he had met.

The prime minister's office called his claims "grotesque inventions to justify [Mr Santoni's] demands and violent acts condemned by the majority of Corsicans". However, they were seized on by the opposition Socialists, who said it was "an open secret" such discussions had taken place, and these talks threw into doubt the government's publicly-stated policy of "firmness" in the face of terrorist acts. *Andrew Jack, Paris*

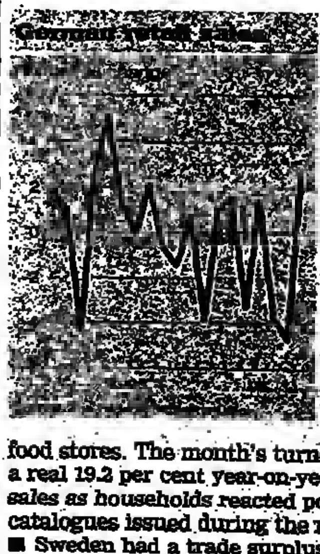
Fertiliser takeover cleared

The European Commission confirmed yesterday that it had cleared plans by Hydro Agri Nederland, the Dutch subsidiary of Norwegian oil and gas company Norsk Hydro, to buy the fertiliser company Terni Industrie Chimiche, part of Enichem, the Italian state-controlled chemical concern.

In each of its markets, the Commission said, Norsk Hydro would face competition from important rivals, or the addition of market shares would be insignificant, or entry into the market would be relatively easy for other producers. *Reuter, Brussels*

ECONOMIC WATCH

Retail sales up and down



German retail sales presented a mixed picture in July, rising strongly compared with the same month of last year but declining from the level of June. The federal statistics office yesterday reported sales were up by 2.5 per cent in real terms compared with July 1995 but down by a real 1.9 per cent from June 1996 after adjustment for seasonal and calendar changes. Compared with July last year, volume sales increased in all retail sectors except speciality food stores. The month's turnover was further boosted by a real 19.2 per cent year-on-year increase in mail order sales as households reacted positively to the new catalogues issued during the month. *Peter Norman, Bonn*

■ Sweden had a trade surplus of SKr10.7bn ($1.6bn) in September, compared with SKr9.5bn in August.

EU ministers press Commission for more beef aid

By Caroline Southey in Luxembourg

European Union farm ministers yesterday put heavy pressure on Mr Franz Fischler, the agriculture commissioner, to increase aid to beef farmers, despite fresh evidence that extra payments have matched losses caused by falls in prices and consumption.

EU countries, led by France, want the European Commission to find extra money for farmers affected by the seven-month-old crisis in the beef market caused by BSE, or mad cow disease. Farmers have already been paid an additional Ecu850m ($1.07bn) from the 1996 budget to cover their losses.

The Commission, in a report on the effect of the crisis on farm incomes, concludes that farmers have lost between Ecu1bn and Ecu1.3bn through the combined effect of lower prices and lower sales. The report points out that member states were free to match EU payments of Ecu850m out of national coffers, bringing the total aid package to Ecu1.7bn.

EU officials said the report showed calls for additional aid could not be justified. "All ministers want more money. But there is no more money," one said.

Mr Fischler warned ministers against believing that additional money could be found next year by using Ecu1.7bn unspent in 1996. "At first sight this unspent money might seem to be the solution to the budget problems facing us in 1997, but I regret to say that this is not the case."

Separately, Britain stepped up its efforts to secure a partial lifting of the ban on British beef exports. Five British ministers attended the meeting, including Mr Douglas Hogg, the agriculture minister, Mr Michael Forsyth, the Scottish secretary of state, Lord Lindsay, Scotland's farm minister, and Baroness Denton, minister responsible for farming in Northern Ireland.

Mr Hogg said Britain wanted to secure early progress on lifting the ban. He said the UK was discussing the terms of ending the embargo for beef from "certified", or BSE-free, herds. Most such herds are in Scotland and Northern Ireland.

He hinted that Britain might be prepared to press ahead early next year with a selective cull of cattle affected by mad cow disease. The EU has insisted that an easing of the embargo can only take place once a cull has been implemented.

The calls for more farm aid will be included in compromise proposals to be presented today by Ireland, which currently holds the presidency of the council.

Ireland will attempt to break the impasse over plans put forward by Mr Fischler to stabilise the beef market. Most ministers attacked the commissioner's plans, including his call for cuts in cereal aid to pay for measures such as slaughtering calves and raising the intervention ceiling.

EU officials predicted the ministers were "heading for a minimalist package".

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Kiev eyes capital markets with first eurobond issue

By Matthew Kaminski in Kiev

Ukraine has stepped up efforts to follow Russia on to the international capital markets with the issue of Ukraine's first eurobond, possibly by early 1997.

The former Soviet republic this month sounded out aid donors and western banks about an earlier than anticipated eurobond issue, officials in Kiev said yesterday. The Kiev government could be a borrower in the coming years.

Ukraine's government, which currently depende entirely on foreign aid and an expensive debt market for its deficit financing needs, has recently made clear its intention to find other sources of capital.

A proposed tax cut for next year, part of a concerted attempt at speeding up structural reform, is partly behind the push for a eurobond issue, a western economist said.

Ukraine will first need International Monetary Fund backing. A critical final round of talks begins today on a three-year $3.1bn extended fund facility.

The main outstanding issue is the draft 1997 budget, but western officials yesterday were confident that the loan would be disbursed more or less on time in January.

One said the IMF had given Ukraine the green light to go ahead with a eurobond issue.

The Ukrainian government has been buoyed by Russia's success last month in securing a credit rating and preparing its eurobond issue tentatively for next month.

"The Russian situation encouraged [Ukraine] to approach the markets sooner rather than later," said Mr Dan Lubash, managing director of emerging markets at Merrill Lynch.

Ukraine would need less time to prepare for an issue than Russia because the country did not inherit any outstanding Soviet debt that subsequently had to be rescheduled.

More than $8bn in debt has been accumulated since 1991.

The budget deficit targets for 1996 have been met. Next year the country plans a 3.8 per cent fiscal deficit, which includes principal paid on debt.

But analysts believe Ukraine would be unlikely to receive a credit rating as high as the BB- awarded by agencies to Russia last month, as its track record on financial stabilisation remains short and privatisation lags behind Russia.

The government has been holding discussions with JP Morgan, Merrill Lynch, CS First Boston and SBC Warburg, according to Mr Mykola Melnitchouk, head of the foreign exchange reserves department at the central bank.

"We're still at ane early stage," Mr Melnttchouk said.

He added the options were a larger, long-term duration bond of $500m or a smaller trial issue. No manager has been selected to lead the issue.

Iliescu still ahead as Romania poll looms

By Virginia Marsh

President Ion Iliescu of Romania, who is standing for a third term in Sunday's elections, has built up a clear lead over his two closest opponents but his party is trailing the main opposition group in the parliamentary contest, according to opinion polls.

However, a poll by Imas, a local organisation, published yesterday showed many voters still undecided – 23 per cent had not made up their mind for the parliamentary election, Romania's third since the collapse of communism.

The poll showed the centre-right Democratic Convention on 25.2 per cent, a point ahead of Mr Iliescu's Party of Social Democracy, the core of the group of former communists that has held power since 1989.

However, the centrist Social Democratic Union led by Mr Petre Roman, the reformist former prime minister, was in third place with 14.4 per cent. It has said it aims to form a coalition with the Convention.

The poll also suggested that two of the three extreme nationalist and neo-communist parties that until recently supported the PDSR's minority government might not achieve the 3 per cent of the vote needed to enter parliament.

The governing party, backed by powerful business groups, is seeking to distance itself from its former supporters and was instructed by Mr Iliescu to favour its moderate wing when selecting parliamentary candidates. However, with the former communists facing the prospect of defeat for the first time, the campaign has been marked by mudslinging and bitter personal attacks.

Romania's difficult transition to a market economy has given the opposition ample ammunition to attack the government's record. Figures published yesterday put inflation in the year to end-September at 45.3 per cent and the average monthly rate at 3 per cent, double last year's average. In a loan accord with the International Monetary Fund, Romania included a year-end inflation target of 20 per cent, down from 28 per cent in 1995.

The fund froze further disbursements in March after the authorities refused to free the official exchange rate.

At present, the leu's official rate is about 3,360 to the dollar but it is about 4,200 in the parallel market.

A Romanian woman counts her money in front of election posters yesterday. The country's currency has slipped in nervous trading ahead of the poll on November 3 Reuter

An overvalued currency is a factor behind a 5.5 per cent drop in exports in the first nine months over the same period last year while hard currency shortages caused by the non-functioning interbank forex market contributed to a 11.1 per cent drop in imports.

Despite recent rises in real wages, monthly take home pay in September was just 71 per cent of 1990 levels.

Hungary gets S&P investment rating

By Richard Lapper, Capital Markets Editor

Hungary was yesterday awarded an inveetment grade credit rating by Standard & Poor'e (S&P), the international credit rating sgency.

The triple B minus rating – the lowest of ten investment grade ratings – should allow a wider range of investors to buy Hungary's foreign currency debt and help the country reduce its borrowing costs.

The decision follows the award this year of similar investment grade ratings by two other agencies, IBCA and Duff and Phelps, while a fourth agency, Moody's Inveetor Services, announced this month it had placed Hungary on review for a possible upgrade from its current speculative grade status.

S&P'e upgrade was widely expected by the markets and had little impact on the price of Hungary's most liquid dollar-denominated bonds already trading.

These yield about a percentage point more than US government bonds of the same maturity.

Standard & Poor's said Hungary bed reduced its external debt burden and privatisation bad helped make the country's exports more dynamic and improved its banking sector.

Net external public sector debt has fallen to an amount equal to an estimated 54 per cent of exports this year, compared with 62 per cent in 1995 and 126 per cent in 1994.

Hungary's vulnerability to economic and financial stresses had been reduced and it was now "more comparable to other sovereigns rated in the investment grade category," said S&P.

Other east and central European governments such as the Czech Republic, Slovakia, Slovenia and Poland already enjoy investment grade ratings.

Turkey's plan for budget attacked

'Zero-deficit' draft dismissed as overestimating privatisation revenues, reports **Kelly Couturier**

A delegation from the International Monetary Fund left Turkey last week after reviewing what many observers said was a budget draft for 1997 which many have attacked as unrealistic.

But observers said that the government gave its visitors littla indication it was likely to make the etructural changes the Fund has been urging – taxation and social security reforms and accelerated privatisation.

The "zero-deficit" budget for 1997 announced by the government this month has been dismissed by many economists and observers as grossly overestimating expected revenues from sales of state-owned enterprises in the country's slow-moving privatisation effort.

The budget foresees $8.5bn in revenues from privatisation and sale of publicly owned properties, when less than $1bn has been raised from privatisation in the last two years. The draft also includes what many analysts say is an unrealistic 2 per cent rise in tax revenues, as no structural tax reform measures have been taken.

Moreover, there are no serious moves to rein in public expenditure to help close the ballooning budget deficit, expected to reach TL 1,300,000bn, or $13.55bn, by year's end, analysts said.

Two revenue-raising packages announced by the government were criticised as too dependent on "one-off" revenues such as the sale of public land and lacking in sustainable measures.

Shortly after taking office in July, Mr Necmettin Erbakan, the Islamist prime minister, adopted a series of populist measures, announcing a 50 per cent pay rise to 7m civil servants, public sector workers and pensioners. Mr Erbakan, whose support largely comes from low- and middle-income voters, also promised to cancel farmers' interest debts, end income tax on the minimum wage and give interest-free loans to small businesses.

Premier Necmettin Erbakan and coalition partner Tansu Çiller: accused of 'trying to deceive the IMF by introducing misleading figures and an imaginary balanced bodget'

"The gap between government expenditure and income has increased rapidly and is larger than it has been for years and inflation remains high and is increasing," said one western diplomat when asked to outline the key problems in the Turkish economy.

"The trade deficit is larger than expected and foreign investors are staying away until Turkey comes up with some credible stability measures," the diplomat said.

With the deficit steadily increasing and year-end inflation estimated to hit 86 per cent on an "explosive path," one economist forecast the public sector borrowing requirement would reach 12-13 per cent of gross national product, higher than the rate that triggered the 1994 financial crisis.

"The current situation is unsustainable," according to Faruk Selcuk, a professor of economics, and the IMF is likely to be unwilling to stand by Turkey until it "sees some real correction in macroeconomic fundamentals".

Mr Bilal Cetin, a commentator in the liberal daily Yeni Yuzyil, used blunter language, accusing Mr Erbakan and his coalition partner, the centre-right True Path Party chief Tansu Çiller, of "trying to deceive the Fund by introducing misleading figures and an imaginary balanced budget, dream revenne-raising packages and exaggerated privatisation plans".

A future financial crisis could be worse than that of 1994, according to Atilla Karaosmanoglu, a veteran World Bank economist. Mr Karaosmanoglu, in an interview with the local Turkish Daily News, likened the Turkish economy to an HIV patient. "Its immunity to external shocke is getting weaker," he said.

Observers said the Fund, unwilling to trigger a confidence crisis toward Turkey, would wait and watch for some positive signals from the government of Mr Erbakan, who in the past bas bitterly criticised the IMF and other international financial institutions.

Mr Erbakan was quoted by the Turkish press as saying that though his government awaited a positive report from the Fund, it had ruled out any further standby agreements.

1996 INTERIM REPORTS

The following companies announce that Interim Reports for the first half of 1996 are available upon request at their respective registered offices and at the Italian Stock Exchange Council.

STET

STET - Società Finanziaria Telefonica per Azioni
Registered capital Lit 5,281,212,121,000 fully paid-in
Entered under No. 286/33 in the Ordinary Section of the Company Register of the Court of Turin - Tax I.D. No. 00471850016
Registered office in Turin - Via Bertola, 28 (Tel.: 011/55951)
Head office in Rome - Corso d'Italia, 41 (Tel.: 06/85891)

TELECOM ITALIA S.p.A.

Registered capital Lit 8,204,071,437,000 fully paid-in
Entered under No. 131/17 in the Ordinary Section of the Company Register of the Court of Turin - Tax I.D. No. 00580600013
Registered office in Turin - Via San Dalmazzo, 15 (Tel.: 011/55141)
Head office in Rome - Via Flaminia, 189 (Tel.: 06/36881)

Sirti

SIRTI Società per Azioni
Registered capital Lit 220,000,000,000 fully paid-in
Entered under No. 17236 in the Ordinary Section of the Company Register of the Court of Milan - Tax I.D. No. 00748480159
Registered office in Milan - Via G.B. Pirelli, 20 (Tel.: 02/66771)

TIM
Telecom Italia Mobile

Società per Azioni
Registered capital Lit 410,203,571,850 fully paid-in
Entered under No. 2582/95 in the Ordinary Section of the Company Register of the Court of Turin - Tax I.D. No. 06947890015
Registered office in Turin - Via Bertola, 34 (Tel.: 011/5565111)
Branch office in Rome - Via L. Rizzo, 22 (Tel.: 06/39001)

STET

Protestkundgebung zum Weltspartag gegen die geplante Abschaffung der D-Mark.

Es sprechen: **Manfred Brunner**
Dr. Bruno Bandulet
Gastredner: **Prof. Dr. Wilhelm Hankel**
München, 30. 10., 17.00 Uhr, Marienplatz

Wehrt Euch! Sonst kommt der EURO.

Kohl und Waigel wollen die bewährte D-Mark abschaffen. Bereits 1999 soll der Euro kommen. Karl Otto Pöhl, damaliger Präsident der Deutschen Bundesbank, warnte schon 1988: "Die Einführung einer europäischen Währung ist nur vergleichbar mit der Währungsreform 1948."

Jetzt bleibt nur noch wenig Zeit, die Mark zu retten. Jetzt muß die schweigende Mehrheit der Deutschen, NEIN sagen zum dritten Währungsabenteuer in diesem Jahrhundert.

Kommen Sie zur Protestkundgebung am 30. Oktober auf dem Marienplatz. Auch wir wollen Europa. Aber nicht auf deutsche Kosten. Und nicht mit einem schwindsüchtigen Plastikgeld.

- **Wir fordern die Währungshüter der Deutschen Bundesbank auf:** Bleiben Sie hart! Sie haben die überwältigende Mehrheit des Volkes hinter sich.
- **Wir fordern die Großbanken auf:** Machen Sie sich nicht länger zum Komplizen einer Politik, die Ihre Kunden - die Sparer - auf kaltem Wege enteignet.
- **Wir fordern den bayerischen Ministerpräsidenten auf:** Handeln Sie jetzt! Die CSU kann den Euro stoppen, wenn sie wirklich will. Deutschland wartet auf ein Signal aus München.
- **Und wir fragen Helmut Kohl:** Wie wollen Sie in die deutsche Geschichte eingehen? Als Kanzler der Einheit oder als Totengräber der Deutschen Mark?

Die Mark muß bleiben. Dafür demonstrieren wir am 30. Oktober auf dem Marienplatz in München

Die Großkundgebung findet auch bei Regen statt.

Bei der Veranstaltung haben Sie Gelegenheit das Volksbegehren
„gegen den EURO"
zu unterschreiben.

BUND FREIER BÜRGER
Die Freiheitlichen

Brussels finesses Danish threat to Cuba law riposte

By Lionel Barber in Luxembourg

EU foreign ministers last night reached a compromise to prevent a Danish veto wrecking Europe's attempts to counter US laws which penalise foreign companies doing business in Cuba.

After a tense day in Luxembourg, Danish diplomats and the European Commission found a formula which would salvage Europe's counter-measures against the US Helms-Burton law.

The EU has already lodged a complaint against Helms-Burton at the World Trade Organisation in Geneva, but additional counter-measures are seen as a test of Europe's credibility in trade policy.

Denmark supports the principle of reprisals against Washington, but claimed that the use of Article 235 of the treaty of Rome compromises its national sovereignty.

Under the compromise, the EU will stick to its original legal base, including the catch-all article 235, to support EU "blocking statutes" against the US. The proposed EU regulation will allow European companies penalised in US courts to claw back damages in European courts.

The compromise will cite references to the 1968 EU Brussels convention which defines the boundaries of national and EU enforcement of judgments in civil and commercial matters.

This will allow the Danes to claim that there is "nothing new" about the EU's use of Article 235 in trade matters, an EU diplomat said.

The Danish government's objections arose because of concern about a court case brought by a Danish citizens' group that accuses Copenhagen of surrendering sovereignty to the EU.

Denmark had come under heavy pressure to drop its opposition to EU retaliation. Diplomats noted that no Danish company was currently being targeted by the Helms-Burton law, which allows natrualised Americans to sue foreign companies "trafficking" in Cuban assets confiscated by the Castro regime.

Mr Niels Helveg Petersen, the Danish foreign minister, had ruled out suggestions that Denmark could abstain from an agreement to go ahead with the EU regulation.

In a move which raised the stakes in the negotiations in Luxembourg, he had declared: "Either we vote Yes or we vote No."

Sir Leon Brittan, EU trade commissioner, said failure by the EU to come up with a response would have sent "a very bad signal to those who wish to interfere in Europe's affairs".

A WTO panel is due to meet on November 20 to rule on EU complaints that the Helms Burton act – and similar US laws which seek to restrict trade with Iran and Libya – is extra-territorial.

Rocky road lies ahead for China's car industry

Tony Walker on problems besetting a 'pillar of the economy'

China's much-heralded love affair with the motor car has hit a bumpy patch due to an uncertain regulatory environment, punitive taxes, lack of consumer financing and a lingering credit squeeze.

While Mr He Guangyuan, minister of the ministry of machine building, has been trumpeting plans to "rejuvenate" the automotive sector as a "pillar" of China's economy, the air seems to have been going out of the industry's tyres.

Car manufacturers are operating at about half capacity and stockpiles of unsold vehicles in the first six months stood at 116,000 – more than a third of last year's production of 320,500 vehicles.

Volkswagen, which, with local partners, is responsible for manufacturing more than half China's cars has run into difficulties with production of its Jetta compacts in the northern city of Changchun.

Mr Andreas Meurer, spokesman for VW in Asia, said that production in Changchun would be scaled back this year to 24,000 units from the previously planned 50,000. However, it is not clear the VW-First Automotive Corporation (FAC) joint venture will be able to sell even this lower output. The venture also produces about 10,000 Audis a year.

VW's main manufacturing base is in Shanghai, where its 50-50 DM2bn ($1.3bn) joint venture with the Shanghai Automotive Industry Corporation (SAIC) produced 170,000 Santana cars in 1995.

China Daily Business Weekly painted a gloomy picture for the VW DM1.5bn joint venture in Changchun. It said an improved national market was urgently needed for the company to take advantage of its newly enlarged production capacity and pay back large loans beginning next year.

The paper quoted Mr Wu Wei, vice president of FAC, one of China's three automotive conglomerates, as criticising a recent decision by the People's Bank of China to suspend a scheme under which purchasers could pay for cars in instalments. He would appeal to Beijing to reconsider the suspension which was imposed, the bank said, because of concern about inflationary effects and because legal regulations were not in place. He noted that 80 per cent of cars were sold in the west under hire purchase-type arrangements.

Mr Wu was surprisingly outspoken for a Chinese official, reflecting concern at the parlous state of the industry. He also complained that exorbitant taxes had restricted demand for vehicles for years.

Taxes on new cars range as high as 75 per cent of the purchase price in some areas. These levies include a 17 per cent value-added tax, 10 per cent national road tax and 8 per cent federal consumption tax plus regional fees. City governments, for example, have been imposing a luxury tax to curb numbers of cars. In some cases these "institutional purchase control" charges amount to 30 per cent of a car's price.

China last year produced about 1.5m vehicles, including 755,000 trucks, 374,000 buses and 320,500 cars. It expects similar production this year. Imported cars totalled 50,000, but perhaps double that number were smuggled across China's porous borders, especially from North Korea – a conduit for Japanese vehicles.

Local manufacturers and their joint venture partners complain bitterly about the smuggling. Mr Martin Posth, president of Volkswagen Asia-Pacific, warned recently the grey market was undermining China's application for membership of the World Trade Organisation. But he also acknowledged that it would be difficult to eradicate because organisations connected with China's security forces were involved in smuggling.

Lagging sales and a slowdown in the automotive sector's growth may affect ambitious plans to step up production to 2.7m units by 2000 and 6m by 2010. Car production was slated to rise to 1.2m by 2000, and 4m by 2010, a tenfold increase. These targets now appear unrealistic.

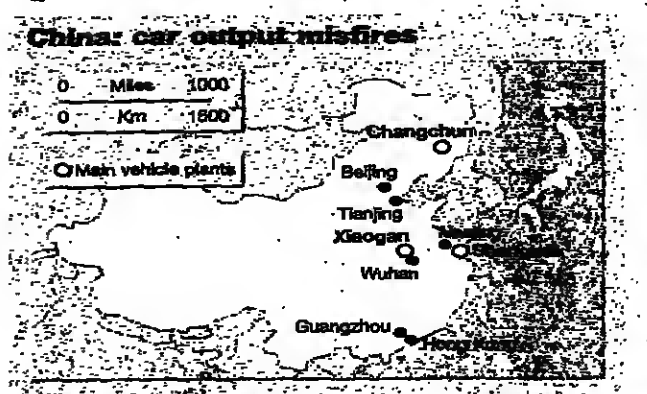
But representatives of foreign automotive companies, such as Ford, General Motors and Toyota, which are battling to secure a foothold in China, say they regard present difficulties as part of a "teething process." As the representative of one of the US giants said: "Some reality may be setting in... but that is not changing the fundamentals that there is tremendous potential here."

China unveiled a new automotive industry policy in 1994 which froze approvals of new car assembly joint ventures until 1997 and envisaged the establishment of two or three major conglomerates supported by a second tier of smaller producers to achieve economies of scale.

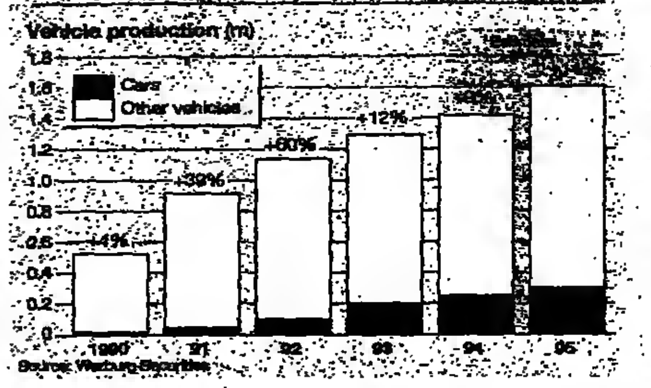
In the light of the slowdown in vehicle sales, China may now extend the freeze on new car assembly ventures, according to Mr Yu Xiaosong, a vice minister of the state economic and trade commission. "We have too many car assembly plants... I think new car assembly plants would find difficulties making a profit," Mr Yu said.

But representatives of foreign vehicle producers said that while capacity was now outstripping demand, this situation would not last long and it was doubtful whether Beijing would maintain a ban on new joint ventures for long. "The market can turn around very quickly," said one.

China: car output misfires



Vehicle production (m)



Source: Warburg Securities

Wages in industrialised nations hold up in spite of job losses

Textile shifts fail to reduce pay

By Frances Williams in Geneva

The International Labour Organisation said yesterday that the dramatic shift in textile, clothing and footwear production from rich to poor countries over the past 25 years has not put downward pressure on wages in industrialised nations in spite of big job losses.

In some developed countries real earnings have actually risen, according to a report* prepared for an ILO meeting this week on the impact of globalisation in the textile, clothing and footwear (TCF) industries.

However, the wages gap between TCF workers in high-income and low-income countries has widened, the report says. Germany and Italy, still the world's biggest textiles producers, had hourly labour costs in 1990 of US$18.40 and $15.70 respectively, compared with just $1.70 in Mexico.

Although global employment in TCF industries has increased on balance as jobs have shifted to the developing world, a parallel shift of production from the formal to the informal sector has had "generally negative consequences on wage levels and conditions of work".

More and more TCF workers are in part-time or temporary jobs, working at home or in small workshops. The use of child labour has also grown – though the ILO believes the trend may be downward in response to pressure from consumers' groups and others, and from the ethics codes adopted by several large multinational corporations.

In the clothing industry "the number of clandestine workshops has grown exponentially in recent years," the ILO says, noting that few respect labour laws and many hire illegal migrants. Counterfeiting is also widespread and is estimated to account for more than 5 per cent of world trade in clothing.

The report puts the number of TCF workers worldwide at 23.6m in the formal sector and "five to ten times" as many in the informal sector. Between 1970 and 1992, the number of TCF jobs in the seven biggest industrialised economies shrank by over 3m or 42 per cent, but this has been more than made up by higher employment in developing nations.

In textiles, industrialised countries remain the biggest producers in spite of a rapid increase in output by some Asian nations. Germany and Italy alone account for a fifth of world exports, with four other industrialised nations – Belgium, France, Japan and the US – among the top 10 exporters.

However, in clothing and footwear, developing nations are now the leading suppliers.

*Globalisation of the footwear, textiles and clothing industries, ILO Publications, CH-1211 Geneva 22. SFr20

Main exporters of clothing 1986-92

	1986 ($bn)	1992 ($bn)	Variation from 1986 to 1992 (%)	%age share of world exports in 1992
1 Hong Kong	8.4	20.1	139	
Exports, local origin	6.7	10.0	50	7.6
Re-exports	1.7	10.1	490	N/A
2 China†	2.9	16.7	575	9.4
3 Italy	7.5	12.2	63	8.4
4 Germany*	4.2	8.4	200	6.4
5 Republic of Korea	5.5	6.8	24	5.2
6 France	2.5	5.3	112	4.0
7 United States	0.9	4.2	237	3.2
8 Turkey	1.2	4.2	237	3.2
9 Taiwan	4.2	4.1	-3	3.1
10 Portugal	1.5	4.0	172	3.1

*1986: Federal Republic †Including exports from processing zones for 1992

Source: United Nations COMTRADE database

WORLD TRADE NEWS DIGEST

Green exports soar in the US

US exports of environmental technology rose 50 per cent between 1993 and 1995 to $14.5bn, according to the US Commerce Department, which targeted the sector for special government assistance early in the Clinton administration. A special inter-agency group has promoted exports through a combination of technical assistance, training, export promotion and finance. Mr Mickey Kantor, commerce secretary, said exports were responsible for 40 per cent of the industry's 1995 growth.

The US Export-Import Bank has been particularly active in the drive, approving $1.37bn in financing for "environmentally friendly" projects or products in 1995 alone. Its backing of environmental exports increased 84 per cent – from 26 deals in 1994 to 48 in 1995. Among these, it gave Poland $30m in medium-term Eximbank-backed financing for US environmental exports to Poland. Eximbank also authorised three tied aid direct loans for a $12.5m sale of wind energy equipment and services to China Electric Power Technology Import & Export Corporation, the trading company for the electric power ministry in Beijing. Eximbank this year also approved a $17.5m loan guarantee for equipment and services to rehabilitate six 30-year-old water treatment plants in Venezuela. *Nancy Dunne, Washington*

Warning on telecom talks

Telecoms companies in Asia and developing economies will be hit hard by failure to conclude an agreement on telecoms liberalisation in the World Trade Organisation, according to Mr Alex Arena, the Hong Kong industry regulator. Mr Arena said failure to agree on liberalisation would lead to the expansion of bilateral agreements, the establishment of a few important international hubs and the diversion of business from Asia. "Some countries will be given a ticket to the dance and others will miss out," he said.

Speaking after the latest round of telecoms talks in Geneva, Mr Arena said the negotiations were delicately balanced. "It is hard to say whether a deal will be achieved," he said. Substantial stumbling blocks remained concerning market access and offers to liberalise markets. The US was still dissatisfied with Asian offers for deregulation. "They feel there are key markets which haven't made offers, and in some cases where offers bave been made they are not enough." However, Singapore had improved its offer and he hopedoffers from Malaysia and Indonesia would be forthcoming. *John Ridding, Hong Kong*

Jordan in WTO entry talks

Jordan said yesterday it hoped to become a member of the World Trade Organisation by the end of next year. Mr Ali Abu-Ragheb, Jordan's trade minister, said WTO entry would help Jordan and the whole region become more integrated into the world economy. Mr Abu-Ragheb, in Geneva for the first meeting of the WTO's working party set up to negotiate Jordan's accession terms, said the country's economic reform programme launched in 1991, and recent and impending legislation, had helped paved the way for WTO membership.

Tha main areas of difficulty were expected to be intellectual property protection and tariff reductions. Customs duties – which range up to 50 per cent for most goods and up to 200 per cent for cars, alcohol and cigarettes – contributed more than a quarter of government revenues. Despite impending legislation on copyright and patent protection, Jordan would still need a grace period to implement WTO commitments on intellectual property. *Frances Williams, Geneva*

World Bank softens criticism of Mercosur

By Guy de Jonquières

The World Bank has taken the unusual step of publicly defending Mercosur, after a study by one of its senior economists found that the four-nation Latin American trade grouping was severely distorting international trade.

Mr Shahid Javed Burki, vice-president of the Bank's Latin America and Caribbean region, conceded in a statement that at least some of the study's criticisms were valid. But it said the Bank continued to view Mercosur as "an important and positive initiative."

The statement emphasised that the grouping had boosted trade between its members and was attracting increased foreign investment. It said "it might not be a bad idea for potential investors in Mercosur to get on board before the train leaves the station."

Mr Burki admitted that some of the fastest growth in intra-Mercosur trade had been in prodncts which could not be sold on world markets because they were not internationally competitive. But he expected the problem to be corrected as Mercosur lowered trade barriers against the rest of the world.

He said Mercosur had enhanced the credibility of economic reforms by its members – Argentina, Brazil, Paraguay and Uruguay – and made it more difficnlt to reverse unilateral liberalisation.

The grouping would eventually benefit growth in the region.

Mr Burki's statement appears designed to calm political controversy over a recent analysis of Mercosur by Mr Alexander Yeats, principal economist in the Bank's international trade division. It found that the arrangement was handicapping member economies and discriminating against other countries' exports.

The study called its findings "a smoking gun", which appeared "to constitute the most convincing, and disturbing, evidence produced thus far concerning the potentially adverse effects of regional trade arrangements."

Martin Wolf, Page 14

India warned on tariff cuts

By Mark Nicholson in New Delhi

India risks economic "marginalisation" unless it accelerates cuts in tariffs and other trade barriers and further dismantles restrictions on foreign investment, Mr Anwarul Hoda, deputy director of the World Trade Organisation, said yesterday.

Mr Hoda, a former Indian trade bureaucrat, told a World Economic Forum conference in Delhi that the country's five-year-old trade and investment reforms were not sufficient to keep pace with similar developing countries and that India's competitiveness was suffering.

"The pace has to be quickened because there are other countries which are liberalising even faster," he told the business audience. Ha said India had to cut relatively high tariffs and outright trade restrictions even in politically aensitive and labour-intensive sectors such as textiles.

"There are hard decisions to be taken and sacrifices to be made, but there is little choice if India wiehes to avoid marginalisation," he said.

The WTO's tough stance echoes previous criticism from both the International Monetary Fund and World Bank over India's relatively high tariffs, which they say are among the most restrictive in Asia.

India has cut maximum tariffs from above 300 per cent in 1990 to 50 per cent in 1995, but progress has since stalled. Mr P. Chidambaram, finance minister, even levied an additional 2 per cent "infrastructure fee" on most imports in his last budget, effectively raising India's maximum tariff.

India is also under growing pressure from western and other Asian states to lift a 50-year-old ban on imports of almost all consumer goods. Trade officials said at the weekend they would offer India's trade partners a phased programme of liberalisation in the sector in January.

However, such moves will face strong political resistance from within the 13-party United Front government and Mr Tejendra Khanna, India's trade secretary, has indicated that India will seek a longer phasing of such measures, and a more gradual programme of liberalisation, than its main trade partners are seeking.

Mr H.D. Deve Gowda, India's prime minister, yesterday assured the same forum that the reform programme his government inherited from the previous Congress party regime was both "unstoppable and irreversihle", but added that his coalition would adopt "an approach of gradualism".

Others at the conference echoed Mr Hoda's criticisms. Mr Martin Posth, chairman and president of Volkswagen Asia Pacific, said India must introduce global quality standards to compete in the world market, and improve infrastructure. It could not rely alone on offering cheap labour and tax incentives to attract foreign investment. "Cheap labour and tax holidays are no serious reasons for a transnational company to settle in India," he said.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

UNITED STATES

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	81.3
1986	105.5	100.9	6.9	98.4	95.5
1987	108.5	106.0	6.1	104.2	98.7
1988	113.0	110.7	5.4	104.9	100.3
1989	115.5	112.4	5.2	87.9	99.3
1990	116.2	112.4	5.5	82.7	95.4
1991	113.3	110.4	6.8	61.7	100.4
1992	117.0	114.2	7.4	51.8	105.2
1993	122.2	118.2	6.8	67.7	110.8
1994	129.6	125.1	6.0	79.0	112.7
1995	133.8	129.3	5.5	79.2	113.0
4th qtr.1995	1.9	1.6	5.5	79.4	113.0
1st qtr.1996	4.0	1.3	5.6	78.1	114.6
2nd qtr.1996	4.2	3.3	5.4	76.3	117.2
3rd qtr.1996		3.6	5.2		
October 1995	1.2	1.9	5.4	78.6	111.1
November	1.9	1.7	5.5	76.9	111.8
December	2.5	1.1	5.5	82.5	113.0
January 1996	2.0	0.6	5.7	79.6	113.6
February	5.3	2.0	5.5	79.5	114.2
March	4.7	1.4	5.8	78.1	114.6
April	4.7	2.6	5.4	78.2	115.4
May	4.8	3.3	5.5	74.2	116.0
June	3.2	4.1	5.2	78.7	117.2
July	3.7	4.0	5.4	78.7	117.7
August		3.8	5.1	75.7	118.7
September		3.5	5.1		

JAPAN

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	2.6	100.0	78.3
1986	106.5	99.7	2.8	94.3	83.8
1987	113.7	103.1	2.8	108.3	91.0
1988	122.6	113.1	2.6	135.9	96.6
1989	132.6	118.7	2.2	147.0	98.6
1990	141.6	124.5	2.1	149.8	95.4
1991	144.5	125.8	2.1	144.2	92.8
1992	139.9	119.0	2.1	124.2	91.0
1993	131.7	113.8	2.5	106.8	96.3
1994	129.5	114.5	2.8	102.2	104.1
1995	128.5	118.5	3.1	106.5	108.7
4th qtr.1995	0.5	1.7	3.3	108.9	108.7
1st qtr.1996	5.8	1.1	3.3	110.7	108.8
2nd qtr.1996	3.2	0.6	3.5	116.8	109.7
3rd qtr.1996					
October 1995	0.0	2.6	3.2	109.0	107.4
November	1.0	0.9	3.4	109.8	108.2
December	0.6	1.7	3.3	111.2	108.7
January 1996	6.1	3.0	3.4	110.1	108.5
February	5.5	3.2	3.3	114.6	108.7
March	5.8	-2.9	3.1	107.4	108.8
April	2.6	0.2	3.4	117.7	109.1
May	2.3	2.7	3.6	122.2	109.3
June	4.4	-1.1	3.5	110.3	109.7
July		6.0	3.4	129.2	110.5
August		1.8	3.3		110.4
September					

GERMANY

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	89.7
1986	103.4	102.2	6.4	136.8	89.4
1987	107.4	102.8	6.2	149.5	90.0
1988	110.5	106.3	6.2	165.1	95.6
1989	114.2	111.4	5.6	219.5	97.7
1990	123.5	117.2	4.8	261.9	98.2
1991	130.5	117.6	4.2	297.8	95.1
1992	127.7	116.4	4.6	287.8	89.1
1993	122.3	109.2	6.1	229.0	95.1
1994	120.4	113.9	6.8	241.1	103.5
1995		115.7		267.6	100.8
4th qtr.1995		-2.7		280.2	100.8
1st qtr.1996		-4.1		273.0	100.3
2nd qtr.1996		-1.6		283.6	100.9
3rd qtr.1996				270.5	
October 1995		-2.2		281.3	100.5
November		-1.5		283.8	100.7
December		-4.4		255.5	100.8
January 1996		-1.2		267.1	100.8
February		-7.4		268.0	100.5
March		-3.4		283.8	100.3
April		-2.1		284.8	100.5
May		-2.8		283.0	100.8
June		-0.8		283.0	100.9
July		-0.5		273.8	101.7
August		2.0		268.7	102.5
September					

FRANCE

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	10.3	100.0	90.0
1986	102.4	101.1	10.4	107.0	95.7
1987	104.5	103.1	10.5	117.2	95.8
1988	107.9	107.8	10.0	135.3	100.9
1989	108.5	111.3	9.4	160.6	100.6
1990	110.4	112.8	8.9	163.2	94.4
1991	110.3	111.4	9.4	128.2	95.5
1992	110.5	110.0	10.4	109.5	93.6
1993	110.7	105.8	11.7	90.0	96.8
1994	110.7	110.0	12.3	104.1	101.0
1995	110.5	111.7	11.6		96.1
4th qtr.1995	-2.5	-2.1	11.6		96.1
1st qtr.1996	0.7	-0.3	12.2		98.0
2nd qtr.1996	-1.0	-0.2	12.4		98.0
3rd qtr.1996					99.4
October 1995	-3.6	-1.5	11.8		96.2
November	0.4	-2.4	11.8		96.2
December	-4.0	-2.3	12.0		96.1
January 1996	0.2	-0.6	12.1		96.6
February	2.8	0.4	12.2		97.0
March	-1.0	-0.6	12.3		98.0
April	0.2	0.1	12.3		98.1
May	-2.3	0.0	12.4		98.0
June	-0.8	-0.8	12.5		99.0
July	-2.1	0.9	12.5		96.5
August	1.4	0.9	12.6		99.0
September					99.4

ITALY

	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator
1985	100.0	100.0	8.6	88.4
1986	106.8	104.1	10.4	94.6
1987	112.1	106.8	10.8	96.2
1988	107.6	114.2	10.9	100.8
1989	116.9	118.7	10.9	98.7
1990	114.5	118.0	10.3	95.4
1991	110.9	116.8	9.8	87.6
1992	116.9	115.4	9.8	94.7
1993	114.1	118.0	10.2	101.5
1994	107.4	118.5	11.1	103.5
1995	102.3	127.2		102.0
4th qtr.1995	-7.6	4.5		102.0
1st qtr.1996		0.3		100.5
2nd qtr.1996		-1.6		100.7
3rd qtr.1996				
October 1995	-13.2	4.1	n.a.	101.9
November	1.1	3.9	n.a.	101.7
December	-10.1	5.5	n.a.	102.0
January 1996		0.4	n.a.	101.7
February		0.2	n.a.	101.0
March		0.5	n.a.	100.5
April		-2.8	n.a.	100.5
May		-2.1	n.a.	100.5
June		0.8	n.a.	100.7
July		-2.9	n.a.	101.2
August		-8.9	n.a.	102.2
September			n.a.	

UNITED KINGDOM

	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	11.2	100.0	90.3
1986	105.3	102.6	11.2	116.1	92.9
1987	110.8	106.5	10.3	141.1	95.5
1988	117.8	111.6	8.8	144.0	96.1
1989	120.1	114.0	7.2	124.3	94.7
1990	121.1	113.7	6.9	87.7	92.5
1991	119.4	109.5	8.6	69.3	95.3
1992	120.4	108.4	10.1	69.6	87.8
1993	123.9	111.8	10.4	76.5	104.6
1994	128.5	117.4	9.5	93.8	107.1
1995	129.9	120.4	8.7	107.6	104.8
4th qtr.1995	1.2	1.8	8.6	111.5	104.8
1st qtr.1996	2.1	1.2	8.3	112.8	105.8
2nd qtr.1996	2.8	1.0	8.2	121.7	105.9
3rd qtr.1996				141.2	107.7
October 1995	0.2	1.0	8.7	111.7	105.1
November	1.6	2.3	8.8	112.6	104.7
December	1.7	2.2	8.5	110.3	104.8
January 1996	2.2	1.4	8.3	111.2	105.2
February	2.1	1.1	8.4	111.6	105.6
March	2.2	1.1	8.3	115.8	105.8
April	2.3	0.8	8.2	115.8	105.4
May	2.4	1.4	8.2	120.6	105.5
June	3.5	0.8	8.2	128.7	105.9
July	2.3	0.8	8.0	135.3	106.6
August	4.4	0.0	8.0	139.4	107.2
September				149.1	107.7

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. Retail sales volume: data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). Industrial production: data from national government sources, includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). Unemployment rate: OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. Vacancy rate indicator: relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. Composite leading indicator: OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

NEWS: AMERICAS

Hard decisions go unmade in Ecuador

Bucaram is singing a confusing song to would-be foreign investors, writes Justine Newsome

President Abdalá Bucaram of Ecuador gave an elaborate luncheon this month for Ms Lorena Gallo, an Ecuadorean who achieved notoriety in the US in 1993 by severing the penis of her husband, Mr John Wayne Bobbit. A day later, due to attend an important conference and reception for foreign investors, Mr Bucaram and his energy minister failed to turn up.

Mr Bucaram may have been miffed: the Economist magazine had organised the conference and on the first day a representative from its EIU subsidiary explained why Ecuador deserved its "D" risk rating, putting it on a par with sub-Saharan Africa.

But the president's no-show was only the latest of a series of confusing signals that Mr Bucaram has sent to foreign investors, local entrepreneurs and Ecuador's population about the government's economic plans.

An economic programme, already twice postponed, is now expected to emerge in mid-November. But it is not clear how it will reconcile Mr Bucaram's high-spending campaign promises with his economic team's subsequent pledges of fiscal discipline, promotion of foreign investments, economic modernisation and institutional reform.

After Mr Bucaram's July election victory, business was reassured by his appointment of financiers to economic posts, the ratification of the internationally respected Mr Augusto de la Torre as head of the central bank, and the announcement of a commitment to strict fiscal discipline.

The initial outlook for the economy was reasonably positive. An eight per cent devaluation of Ecuador's currency, the sucre, on August 12 cut speculation over a future devaluation.

This helped to ease pressure on interest rates and allowed the government to buy dollars in the foreign exchange market, injecting liquidity into a struggling financial sector. With oil export revenues also buoyant thanks to higher prices, foreign reserves recovered from $1.5bn to a record $1.8bn earlier this month. Inflation meanwhile has accelerated slightly, partly for seasonal reasons, to 25 per cent in September.

The government's main stated aims are to reactivate the economy and reduce poverty. Real GDP growth was a

Bucaramalamadingdong: the populist president promotes his own rock record Popperfoto/Reuter

sluggish 2.3 per cent in 1995, while up to two thirds of Ecuador's 11.6m population is classified as poor.

Mr Bucaram has already launched subsidised milk and food programmes and a popular housing scheme. In the short term, the government must tackle a public sector deficit of around 3 per cent of GDP for 1996, inherited from the previous administration. Then Mr Pablo Concha, finance minister, aims to balance the 1997 budget, to be sent to Congress on Thursday.

Ecuador may re-enter the international capital markets in order to improve its debt profile.

Debt service accounts for around 35 per cent of government spending. The emphasis will be on foreign rather than domestic borrowing so as not to push interest rates up again and withdraw liquidity from the financial sector, said Mr de la Torre and Mr Alvaro Noboa, president of the monetary board.

Accord with the International Monetary Fund is needed, not least as a prerequisite to renegotiate Ecuador's Paris Club debt, on which it is running arrears of $200m.

Mr de la Torre said he expected the priority in public investment to shift to housing, education and health. The emphasis should be on institutional reforms, to increase the efficiency of expenditure and to gain the confidence of foreign and domestic investors.

The finance ministry is considering options such as eliminating the subsidy on gas, restructuring electricity and telephone tariffs, removing exemptions on value added tax and revising public sector wage policy. A programme of concessions of public works, such as road building and maintenance, is also set to release resources. Privatisation of 35 per cent of the state telecommunications company, Emetel, is scheduled for April 1997.

But while these changes are being discussed, foreign investors are receiving a quite distinct message.

In August, the government attempted unilaterally to terminate a contract with oil company Maxus. In September, Mr Bucaram backed away from eliminating the gas subsidy, because of its impact on poorer voters. Under pressure from unions, an electricity privatisation bill passed by Congress last month was also put on hold.

There are still potential investors who regard the administration's enthusiasm to attract foreign investment as genuine. But the worry remains about Mr Bucaram's lack of enthusiasm for politically unpopular reforms.

Consortia awarded Falklands oil licences

By Robert Corzine

Falkland Island officials say yesterday's award of oil exploration licences reflects "a balanced cross-section of the oil exploration industry", in spite of the exclusion of an Argentine company.

Those companies selected to explore the area north of the islands are from the UK, North America, Europe and Asia, as well as Desire Petroleum, a group formed in part to represent the interests of the Falkland islanders

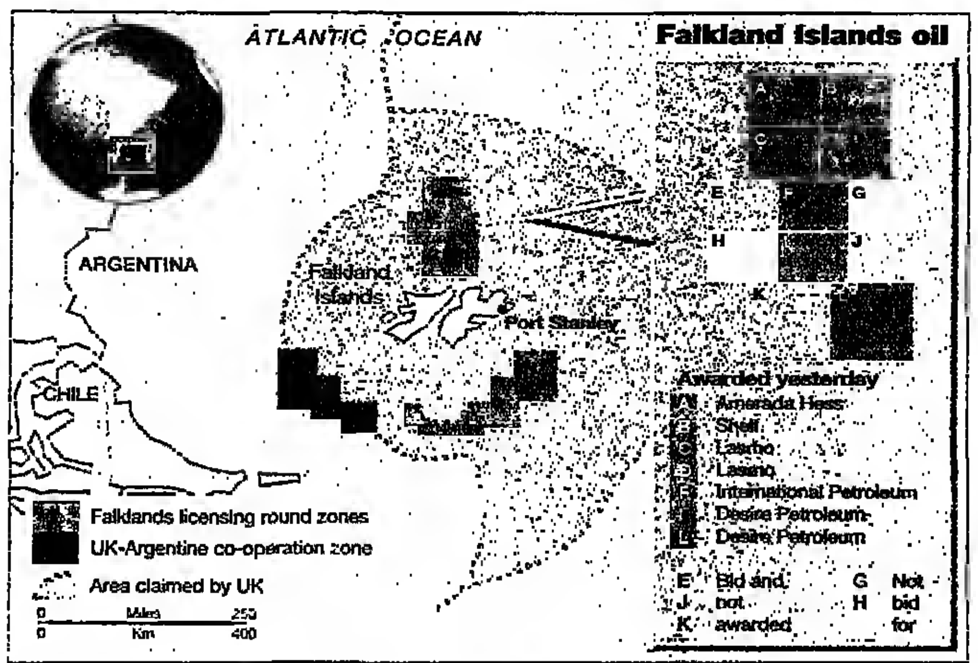
Shell, the Anglo-Dutch group and the western world's largest oil company, and its partner, Agip of Italy, are expected to spend about a quarter of the $200m that the winning consortia will commit in total over the next five years.

Shell won the rights to explore in Tranche B, which along which Tranche A proved to be the most sought-after area.

Amerada Hess, the US company which is the fifth largest producer in the UK sector of the North Sea, will operate the Tranche A licence, which also includes Fina of Belgium.

Industry analysts say that the presence of many relatively small companies in the winning consortia should not be a constraint on exploration.

Although the results of the licensing round suggest a high degree of international interest in the Falklands, analysts warn against undue optimism. They point to the industry experience in the deep water west of the Shetland Islands in the UK, the area most often compared to the Falklands. More than £1bn ($1.56bn) was spent in exploration west of the Shetlands over more than 15 years before any fields proved commercially viable.



AMERICAN NEWS DIGEST

US car accord deadline missed

General Motors and the US United Auto Workers union failed to meet a deadline of midnight on Sunday to finalise a new three-year labour accord. Negotiations were due to resume later yesterday amid signs the two sides remained on track for a peaceful conclusion.

The deadline had been set by Mr Stephen Yokich, president of the UAW, in what was seen as an attempt to pressure GM to agree to more of the union's demands on outsourcing. The passing of the deadline leaves the US's biggest carmaker open to plant-level stoppages or even a full national strike if it cannot reach an early agreement. The two sides are believed to have agreed in principle to a framework agreement similar to those already adopted at Ford and Chrysler. Negotiations are continuing on details which could have a big effect on the impact of the contract. The industry-wide pattern agreement extends job security to 95 per cent of UAW members, but some plants or workers may be left out of the calculation. *Richard Waters, New York*

Canada banks to cut rate

Canada's banks will shave their prime lending rate today from 5.25 per cent to 5 per cent, the lowest level in four decades.

The cut, the third in the past month, reflects aggressive action by the Bank of Canada to stimulate weak domestic demand, as well as a bullish mood towards Canada in financial markets.

A combination of low inflation, record trade surpluses and improving public-sector finances have enabled Ottawa to pursue monetary policies relatively independent of the US Federal Reserve.

US banks charge a prime rate of 8.25 per cent. The yield on Government of Canada 10-year bonds last week slipped below equivalent US Treasury securities for the first time in over a decade.

The Canadian dollar took the latest interest-rate cut in its stride, rising slightly yesterday morning to about 74.30 US cents. *Bernard Simon, Toronto*

Coalition wins in Chile

Chileans voted for the status quo in nationwide municipal elections on Sunday, with the ruling centre-left coalition taking 56 per cent of the votes, up 3 points on its share in the last municipal elections in 1992.

With 96 per cent of the results in, the rightwing opposition coalition, Union for Chile, also had reason to be pleased, with a 3-point rise in its vote to 33 per cent.

The results are being read as changing the balance in both coalitions, where parties and politicians are already jockeying for position for the 1997 congressional elections and then the 1999 presidential poll.

On the right, the junior Independent Democrat Union, UDI, celebrated the re-election of one of its leaders, Mr Joaquín Lavín, with a massive 77 per cent of the votes in Las Condes, Santiago's and Chile's richest municipality. He will now be frontrunner as the right's presidential candidate.

In the ruling coalition, the Socialists and the Party for Democracy, PPD, rejoiced over a joint 23 per cent of the vote, which puts them within 3 points of the hitherto-unchallenged Christian Democrats, and reinforces the position of their leader, Mr Ricardo Lagos, the minister for public works. *Imogen Mark, Santiago*

TO PROPEL THE GREAT JOURNEY

Conceived and Photographed by Richard Avedon

NEWS: AMERICA PREPARES TO VOTE

As Clinton looks set for victory, FT writers examine his party's wider hopes for November 5

Can the Democrats carry Congress too?

One year ago, it was commonplace to believe that the last US election before the millennium would be among the most important of the 20th century.

It appeared to pose a choice between the radical conservative revolution that had helped propel Republicans into control of Congress in 1994 for the first time in 40 years, and a fragile status quo represented by President Bill Clinton and the Democratic party, who once justifiably considered themselves the architects of change.

Mr Ross Perot's new Reform party also threatened to complicate matters for the two main parties.

Whenever Congressman Newt Gingrich, the Speaker of the House, confidently declared, as he frequently did, that it took two elections to bring about a real revolution, dissent was muted and Democrats mostly quaked in their boots. Now the choice confronting the American people a week today looks much less cosmic. The Gingrich-led charge has been repulsed, defeated by its own hubris, skilful defence by Mr Clinton and his party, and an economy healthy enough to make any incumbent blush.

The Republicans, divided every which way between a hard right and a soft middle, were unable to come up with a presidential contender capable of energising and uniting the party. Instead they saddled up an old war horse, the 73-year-old Bob Dole from Kansas, a man to whom honourable compromise was an art form during 35 years in Congress but who, as a candidate, could never compete with a man 22 years his junior and one of the most gifted campaigners in memory.

Mr Perot has also disappeared from most political radar screens, familiarity with his eccentricities – less evident in 1992 – having bred something close to indifference.

Thus, unless every poll and pundit and all intuitions are hopelessly wrong, Bill Clinton will beat Bob Dole next week. Doubt centres only on the margin of victory, which could be as big as the landslides of 1936, 1972 and 1984 or be respectably solid, sufficient to permit Mr Dole to retire with dignity.

A Clinton victory will be hailed as "historic" because no Democratic president since Franklin Roosevelt in 1936 has been re-elected to a second term. Given the personal travails of his first four years, that would also be a remarkable achievement.

But, as it currently stands, the real significance has shifted to the battle for control of Congress, now run by the Republicans with margins of 53-47 in the Senate and 235-198 in the House. The lower chamber also has one vacancy and a sole unaffiliated member, Mr Bernie Sanders, the socialist from Vermont, who invariably votes with the Democrats.

It is devilishly difficult to predict the outcome in either chamber. General factors seem evenly balanced. On the one hand, a nation at peace and with its economy robust should help all incumbents and could preserve the Republican majorities. On the other, while Mr Dole apparently has no coat tails for Republican candidates to cling to, Mr Clinton may prove to have some, winning marginal seats for his party.

But there is also evidence that Americans are comfortable with a divided government – a president of one party, Congress at least partly run by the other – though how this may be quantified in individual races is unanswerable.

This year 34 of the 100 Senate seats will be determined – 19 now held by Republicans, 15 by Democrats. But the number of Democratic retirees (eight) outnumbers Republicans (six). Battles for these "open" seats will be especially critical.

One, the Alabama Democratic seat held by Mr Howell Heflin, seems likely to go Republican. Also very much in play are the Democratic seats in New Jersey (formerly Bill Bradley), Arkansas (David Pryor), and Louisiana (Bennett Johnston). The Republicans also have hopes in Georgia (Sam Nunn) but now fading ones in Illinois (Paul Simon).

Apparently vulnerable Republican seats vacated by retirement include Colorado (Hank Brown), Kansas (Bob Dole's interim replacement lost in the primaries), Maine (William Cohen), Oregon (Mark Hatfield) and, less likely, Wyoming (Alan Simpson).

Not all incumbents are safe. Hard-pressed Democratic senators include Paul Wellstone (Minnesota) and John Kerry (Massachusetts) while among endangered Republicans are Bob Smith (New Hampshire) and Larry Pressler (South Dakota). Even Republican Senator Jesse Helms of North Carolina, bidding for a fifth term, is not entirely out of the woods against Mr Harvey Gantt, the black former mayor of Charlotte.

The remaining 18 – 11 Republicans and seven Democrats – offer fewer prospects of upsets. That means the Democrats will need to win most of the close races to recover their majority – the required net gain is three, assuming vice president Al Gore can cast tie-breaking votes, as per the constitution.

The 435-member House is even tougher to call. It features 52 open seats, 29 of them vacated by Democrats. But 70 of the 74 Republican freshmen class of 1994 will be seeking their first re-elections, more than 20 of them defending slim majorities.

Needing a net gain of 19, the Democrats seem to have their best regional hopes on the west coast. At least five Republican seats in California – including, if he is to be believed, that of the unreconstructed rightwinger, Bob Dornan – are under serious threat. So may be all five wrested from Democrats in Washington state two years ago.

Mr Clinton's coat-tails may also help more than most in the north-east, where he holds some commanding leads, but elsewhere local and regional factors are likely to be predominant. In Texas, for example, and a few southern states Republican control is becoming more entrenched.

It is also worth remembering that only in the Johnson and Reagan landslides of 1964 and 1980 has the victorious presidential candidate been able to produce substantial gains for his party in the House.

The third tier of elections next week concerns state governorships, though only 11 of the 50 are at stake, all in small to medium-sized states. The current line-up has 32 Republicans and 18 Democrats, with 1994 producing an unprecedented net gain of 10 for the Republicans.

The picture is unlikely to change much, because seven of the 11 contests are for Democratic-held seats. The Republicans could pick up Indiana, where Governor Evan Bayh cannot run for another term, and conceivably lose New Hampshire, where Stephen Merrill is retiring. But all seven incumbents seem assured of being returned.

Elections will also be held across the country for state and local governments and offices. The most widely watched will be in California, where the Republican majority in the assembly is the bare minimum – one seat.

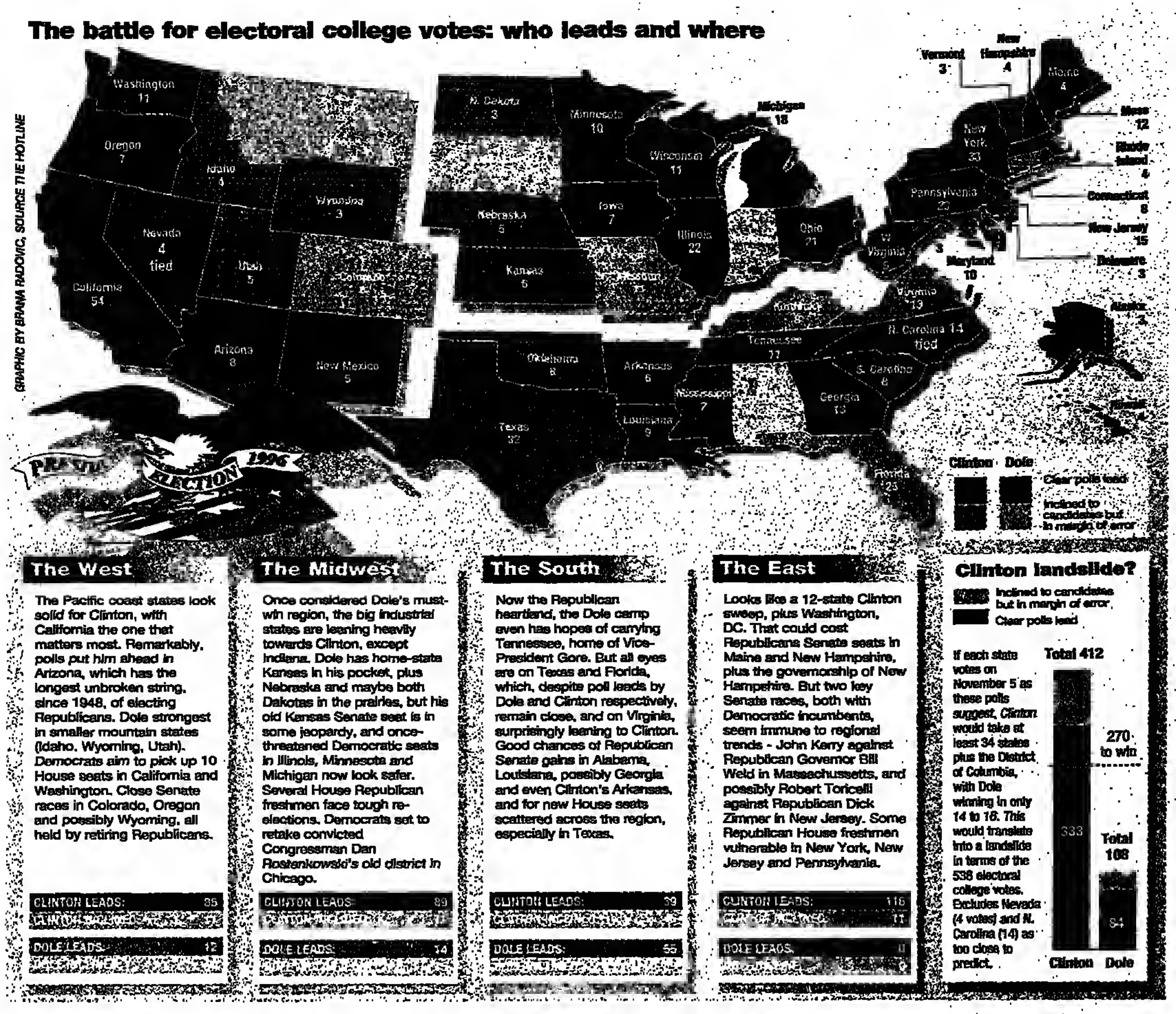
Ballots will be littered with propositions, mostly local but some with potential national public policy consequences.

The most obvious are in California, which will vote on the abolition of state involvement in affirmative action programmes, and Colorado, which is being asked to tax church and charitable real estate holdings and has a highly controversial "parental rights amendment" sponsored by Christian and other conservatives.

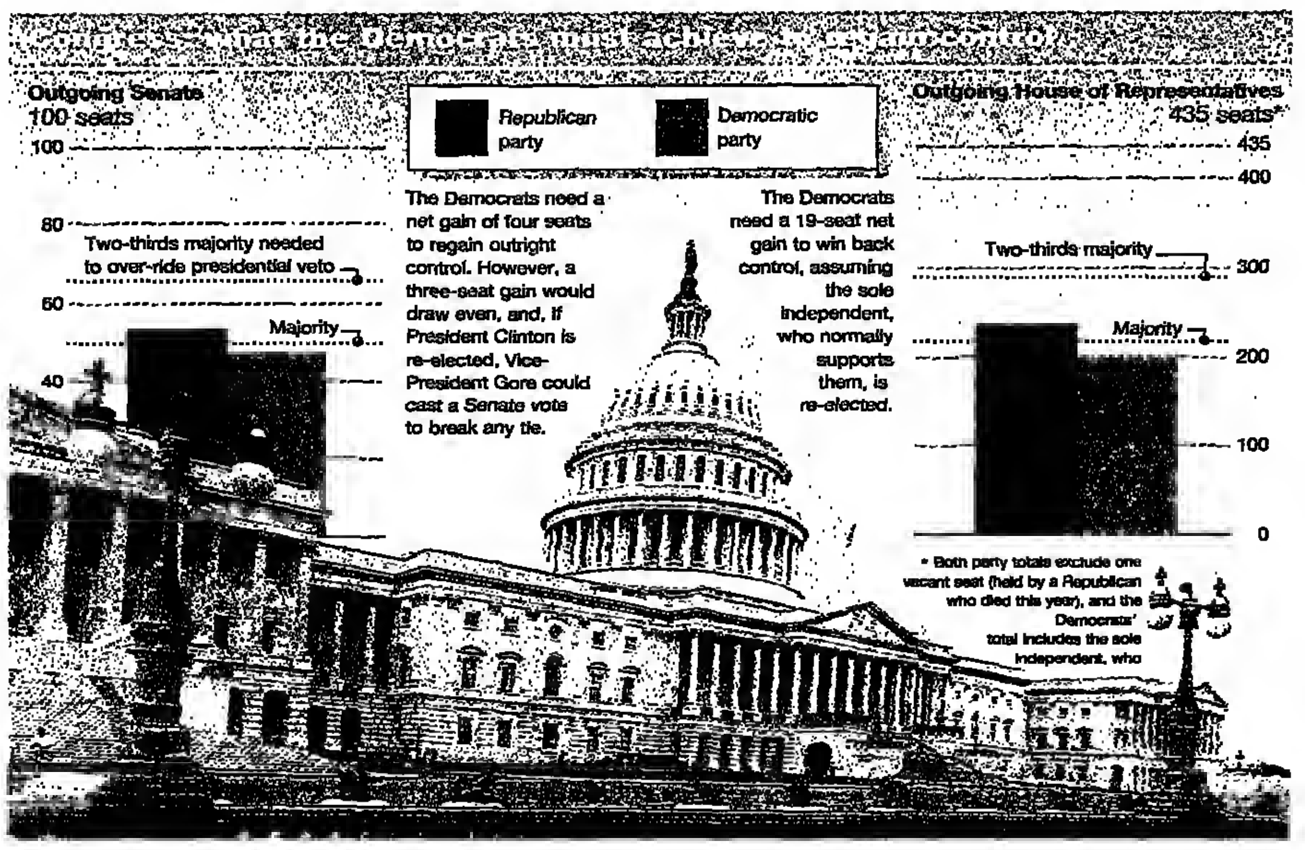
The presidential election also has an impact on the federal bench. At least two Supreme Court justices, including Mr William Rehnquist, the chief, are contemplating retirement. The next president, therefore, will have the opportunity further to shape the Court in his image long after he has disappeared from the scene.

But it all amounts, barring the totally unpredicted, to an election much less far-reaching in its import than once seemed likely. For the American public, one revolution (the 1770s) and one civil war (the 1860s) may be enough for most millennia.

Jurek Martin



'Bill Clinton in a dress' leads labour bid to re-enter politics



The competition calls her "Bill Clinton in a dress" – Ms Debbie Stabenow is a flame-haired, thick-ankled, female version of the campaigner-in-chief, fighting to unseat an incumbent Republican in one of the toughest congressional races in the nation.

But she is relying on more than Clintonesque charisma to propel her to victory in a district which the Democrats must win if they are to regain control of Congress, and which the Republicans cannot afford to lose. This matronly mother of two has big money to bolster her Democratic message – money from big labour.

Never mind that she is the kind of "new" Democrat who is as likely to vote for tax cuts as for minimum wage rises; or that this veteran state legislator has never been cozy with unions in the past. Labour needs her now to help reverse the tide which brought ultra-conservative Republicans like her opponent, Mr Dick Chrysler, to Congress in 1994. With the nickels and dimes of its members – 15 cents per member per month, according to the AFL-CIO, the giant labour federation – and with tens of thousands of hours of their donated time, labour plans to win the counter-revolution.

Union organisers blame themselves in part for 1994: with the union movement languishing in self-doubt, and little time or money spent on politics, union members deserted their traditional party, the Democrats, and voted 40 per cent Republican. But the Republican Congress proved too radical for many, provoking a retreat to the Democratic party, which now commands 46 per cent support among union members, against 24 per cent for Republicans.

A reinvigorated union leadership has exploited that shift to make labour a force in national politics for the first time in a generation. If the right is defeated at the polls next Tuesday, it will be – at least in part – because of an unprecedented counter-mobilisation of the left.

This began months ago, when the AFL-CIO said it would spend $35m to buy television advertising in 75 "swing" congressional districts with high union membership (nationwide, the figure is only 15 per cent) and with an "anti-worker" congressman. The money was to be spent "educating" members about the coming poll, not campaigning for specific candidates. Federal election law allows unions to spend an unlimited amount on such "issues advocacy" – so long as they avoid endorsing a candidate.

But the fine line between educating and electioneering is often crossed, not least in the 8th Congressional district in Michigan, scene of the Chrysler-Stabenow battle. "We've never said 'don't vote for Dick Chrysler, vote for Debbie Stabenow'," says Ms Barbara Smith, AFL-CIO campaign co-ordinator in the district, which takes in car plants and rural farms. She has been directing a corps of 250 union volunteers to "educate" members on the evils of the 104th congress.

"Right now, we're calling every member we can find to mobilise the vote," she says, noting that labour hopes to reach 50,000 of its 66,000 district members – and that Mr Chrysler won the district by only 14,000 votes in 1994. Ms Smith insists this is not a partisan effort: "We say, vote for whomever you want, but do vote." But the hundreds of union members expected to take holiday leave to join the Stabenow campaign will operate under no such constraints.

They can distribute campaign literature, or help plant groves of little foot-high yard signs proclaiming the simple word "Debbie!" on central Michigan's front lawns, without attracting the attention of the Federal Electoral Commission.

But if the unions have found ways around the campaign finance laws in retail politics, they have done the same in the wholesale realm. They are not allowed to advertise *for* Ms Stabenow, so instead they advertise *against* Mr Chrysler.

Business mobilised a tardy counter-attack, running ads denouncing the unions. "The big labour boeses. Big money. Big lies. Big liberals," said the announcer. But Mr Chrysler says the business response was nothing but "a pimple on a gnat's derriere". In the public mind, the image of an elderly grandmother pleading with viewers not to let multi-millionaire Dick Chrysler cut her Medicare health insurance is the more powerful.

"That's the real story of 1996 – coercing union dues out of working people," says Mr Chrysler, who alleges an "unprecedented power grab by the union bosses in Washington to take back control of Congress". Union officials acknowledge some complaints about use of dues for political purposes, but say polls show members support their campaign by a 6:1 margin.

Union money, and the innate campaign skills of the Democratic candidate, may yet propel Ms Stabenow to victory. But both sides agree the race is too close to call.

So tonight, like every night until November 5, union members will be manning phone-banks to turn out the labour vote for Stabenow. And if the thickets of little yard signs are anything to go by, she may yet win. Even in the main street of Mr Chrysler's home town, Brighton, the signs cry out "Debbie!": Clinton in a dress, hoping for a ride on the presidential coat-tails.

Patti Waldmeir

WHERE THEY STAND

Clear distinctions

Of necessity, President Bill Clinton and Mr Bob Dole must cast themselves on the opposite sides of virtually every public policy issue. Each has tended to portray the other's positions in the most negative light, but clear distinctions are very visible.

■ **The economy.** Mr Clinton's prescription is not to rock a steady boat. He professes to believe in a balanced federal budget but thinks it can be achieved gradually by continuing policies that have brought about a reductinn from about $300bn (£187bn) to less than $120bn since he took office. He favnurs targeted middle-class tax cuts, for educational purposes and for homeowners, worth about $20bn over five years.

Mr Dole is a convert to Reagan-style supply side economics. He advocates a 15 per cent across-the-board income tax cut, a halving of capital gains tax rates and other cuts totalling $550bn. Growth, he says will take care of the deficit but favours a constitutional amendment to balance the budget.

■ **Foreign policy,** the forgotten issue of the campaign, rarely raised by either. Mr Clinton is running mostly on his record of careful but determined US involvement in global trouble spots (Bosnia, Northern Ireland, the Middle East). Last week he committed the US to expansion of Nato by 1999. He frequently cites the achievements of tough market-opening agreements with US trading partners.

Mr Dole, who supported US troop deployment in Bosnia and the Nafta and Gatt trade agreements, mostly complains that weak US leadership under Mr Clinton has undermined international confidence. He wants faster Nato expansion, an expanded missile defence capability extended to US allies, a bigger Pentagon budget and an even more aggressive trade policy.

■ **Education** has emerged as a real factor in the election, a reflection of national concern over standards. The Clinton goal is that every eight-year-old should know how to read, every 12-year-old how to log on to the Internet and every 18-year-old be guaranteed a place in college. He stands for tuition tax credits and expanded student loans from the government, with longer repayment periods.

Mr Dole wants to abolish the federal Department of Education, turning control back to states and parents, increase bank lending for student finance and introduce nationally tuition vouchers and a federal-state programme of "npportunity scholarships" for private schools. He would dismantle Americorps, Mr Clinton's prized national service scheme. A favourite target has been the largest teachers' union, which he accuses of liberal bureaucracy run riot.

■ **Health, pensions and welfare:** This hardy perennial trio has attracted more negative advertising, from both camps, than almost any other subject. Mr Clinton, having failed to reform the whole national health system in 1994, claims Medicare (for the old) and Medicaid (for the poor and disabled) can be preserved through careful cost controls without reducing essential services and coverage.

He says Republican tax cuts could only be paid for by deep cuts in both programmes. After two vetoes, he signed the Republican welfare reform bill, but promises to "improve" it in a second term, and insists the social security system (pensions) is financially viable well into the future.

Mr Dole insists the president wants to impose a massive new federal bureaucracy on healthcare and distorts Republican positions on Medicare and Medicaid, both of which, he says, will go bankrupt without radical reform. He broadly advocates state rather than federal control, wherever feasible. He favours expanded private retirement accounts.

■ **Crime:** Mr Clinton has gone to great lengths to rebut the conventional Republican accusation that all Democrats are soft on criminals. The president not only touts the Brady bill, restricting handgun sales, and his programme to put 100,000 more policemen on the beat but also advocates constitutional if vague guarantees for the victims of crime, as does Mr Dole.

The Dole counter is to doubt the effectiveness of new handgun controls and statistics showing crime going down. He also opposes the ban on the sale of semi-automatic assault weapons. But his sharpest charge is that Mr Clinton has abandoned the war against narcotics.

■ **The environment** appears to be working heavily in Mr Clinton's favour, mostly as a reaction to Republican attempts in Congress to eviscerate many regulations and the national parks system. He regularly cites toxic waste programmes, clean air and water improvements and wilderness protection. Mr Dole mostly complains, if at all, about the heavy bureaucratic federal hand.

Jurek Martin

US Mideast envoy fails to seal pact

By Judy Dempsey in Jerusalem and Lionel Barber in Luxembourg

Mr Dennis Ross, the US co-ordinator to the Middle East peace talks, yesterday returned to Washington, apparently unable to seal an agreement for the Israeli troop redeployment from the West Bank town of Hebron.

His departure coincided with the start of a week-long visit tok Europe by Mr Yassir Arafat, president of the Palestinian Authority, and the appointment of Mr Miguel Angel Moratinos, a Spanish diplomat, as the European Union's special envoy to the Middle East.

The appointment raises Europe's diplomatic profile in the region alongside the US. It follows a sustained campaign by France for a greater European role in the peace process.

EU foreign ministers meeting in Luxembourg gave Mr Moratinos a broad mandate to observe the peace process, esteblish relations with Israeli and Palestinian negotiators, and to report on possible EU actions.

Mr Moratinos, 45, a career diplomat and Middle East expert, was appointed Spanish ambassador to Israel last June. He took part in the 1991 Madrid peace conference and was previously director general of foreign policy for Africa and the Middle East.

Israel last night said it would welcome any EU envoy, but added it could not see whet contribution he could make beyond what the US was doing.

Under pressure from President Jacques Chirac of France, the EU has assumed a more ective diplomatic role, partly to counter what Paris believes is an excessively pro-Israeli stance in Washington but also to reflect Europe's substantial financial assistance to the Palestinians.

EU officials emphasised that the appointment of Mr Moratinos was not intended to challenge the US brokering role in the region or to establish a new negotiating presence alongside Mr Ross.

In a statement before his return to the US where he will consult with Mr Warren Christopher, the secretary of state, Mr Ross said the "parties have narrowed the gaps significantly on the security issue" for the Jewish settlers in Hebron.

He added that the past four weeks of talks had begun to "rebuild trust and confidence in each other and to resolve many of the key differences standing in the way of implementation of the [1995 Israeli-Palestinian] Interim Agreement".

Palestinian negotiators point out that Israeli demands on the security issue breach the agreement, particularly the question of "hot pursuit" which, if ever agreed, would give Israeli soldiers the right to enter Palestinian-ruled territory.

The stalemate in the talks is leading the defence ministry to press for a larger slice of next year's budget.

After meeting Mr Benjamin Netanyahu, the Israeli prime minister, last week defence chiefs requested an additional $1bn to prepare the army for a possible war against Syria. But Mr Yitzhak Mordechai, the Israeli defence minister, who is considered one of the less hawkish Likud ministers, said the diplomatic option must be kept open.

The Bank of Israel yesterday reduced its key lending rate for November by 0.3 points to 15.2 per cent, disappointing the business community, which has been calling for greater rate cuts as well as a devaluation of the shekel.

The small reduction confirms the central bank's determination not to bow to pressure from exporters until the budget deficit is further reduced.

Oil boom beckons for tiny African state

Antony Goldman on hopes and doubts over new wealth in impoverished Equatorial Guinea

In a country so small and impoverished the telephone directory lists its few subscribers by their first names, a revolution will take place later today. At what the oil ministry describes as "a solemn ect of inauguratioo" Mr Teodoro Obiang Nguema Mbasogo, president of the central African state of Equatorial Guinea, and Mr Paul Hoenmans, executive vice-president of Mobil Corporation, will formally open the country's first commercial oil field.

Offshore prodnction from the Zafiro field has begun at 40,000 b/d. Other finds already made by Mobil indicate ontpnt could double swiftly.

American independents United Meridian (UMC) and CMS Nomeco say they are poised to make new discoveries in concessions adjecent to Zafiro. "In five years' time," said Mr Miguel Abia Biteo Boriko, secretary of state for mines and energy, "we could be producing half a million barrels a day."

Officials are reluctant to say exactly how much the government can expect to benefit. Even at existing prodnction levels, conservative revenue estimates of about $100m are twice last year's gross domestic product. For Equatorial Guinea's 350,000 inhabitants, it is money which could change everything. And everything oeeds changing. Running water and electricity are rare luxuries outside the capital. Education and health care are in abject decay. Malaria, typhoid and a host of other diseases are andemic. Life expectancy is 48.

It was not always eo. As Fernando Po, this accidsnt of colonialism, divided between Bioko island and a small rectangle on the mainland, enjoyed eome of the the highest living standards and levels of literacy on the continent. Cocoa, coffee and substantial snbsidies made what is the only Spanish-speaking territory south of the Sahara something of a favourite for the isolationists within General Franco's dictatorship.

Mr Obiang blames the precipitous decline on the 11-year reign of his predecessor and uncle, Francisco Macias Nguema, Equatorial Guinea's first president. Before his overthrow and execution in 1979, the self-styled "Unique Miracle" closed the country's schools and hospitals and sponsored a terror in which a third of the population was killed or fled into exile.

Now the 53-year-old Mr Obiang has moved toward multi-party politics, albeit in a form which allowed him last February to win a new seven-year term with more than 97 per cent of the vote. The oil companies are stepping in, providing funds for everything from Washington lobbyists to refuse collection. Even the smallest operator, CMS Nomeco, buys school books and runs anti-malaria programmes.

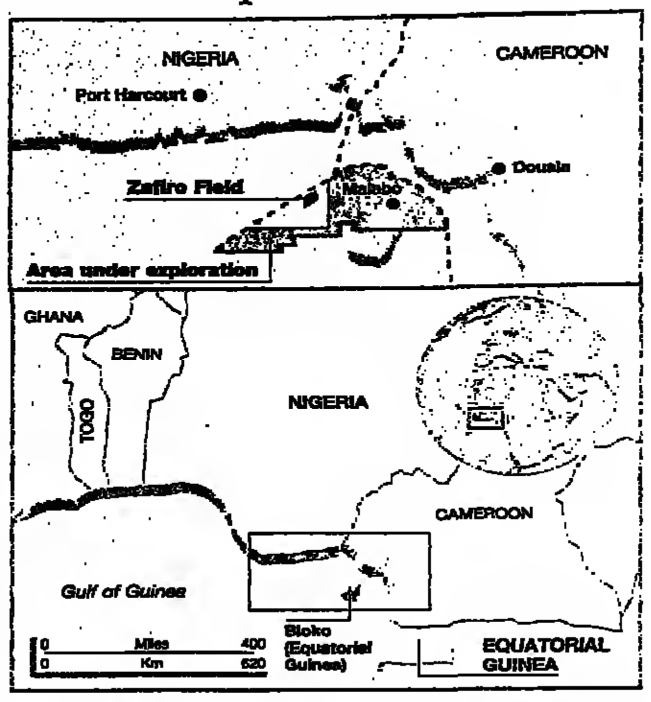
For Equatorial Guinea's 350,000 inhabitants, oil revenues estimated conservatively at $100m a year could change everything

"To have persuaded the Americans to come in after the French and Spanish said we had no oil is the president's greatest triumph," said Mr Augustin Nse, secretary-general of Mr Obiang's Democratic party, earlier this year.

Oil – and ambitious schemes for mineral exploitation – may, however, prove not to be a panacea for all the nation's ills. "We'll be like Kuwait," said one oppoeition activist. "There'll be fast cars and foreign bank accounts for e few, but for the rest of us nothing will change."

One member of a visiting team from the International Monetary Fund this year complained of "a total absence of transparency" in government accounting. Mr John Bennett, the last US ambassador, found himself accused of witchcraft after complaining of persistent human rights abuses.

There is also an unresolved border qnestion with Nigeria at almost the point where Mobil has discovered oil. "This is something we have to sort out," said a Nigerian diplomet. "But these people have been brainwashed by their mentors to be hostile and defensive... when we are producing 2m b/d, does anyone really think we oeed their 40,000?"



For the past decade, Equatorial Guinea has eked out an existence on aid handouts. At today's ceremony, there will be a rash of oil workers and others anxious to cash in oo Africa's least well-known investment opportunity. And while the government insists this interest will fuel its emerging democracy, its oppooeots maintain Mobil is merely feeding a dictatorship which echoes the very worst of General Franco's legacy.

French seek big role in talks for EU diplomat

By David Buchan in Paris

France believes the role of the European Union's new special Middle East envoy should be "as large as that of Dennis Ross [the US's Middle East mediator] and certainly no less," diplomats said in Paris yesterday.

In the wake of President Chirac's swing through the region, including his stormy visit to Israel, France considers the time has come for Europe to use its close contacts with the Palestinians and Arabs in the peace process, complementing US ties to Israel.

In the French view, this wonld involve the EU in effect taking over the role of co-sponsoring the Middle East peace process which was given to the pro-Arab Soviet Union in 1991, but which the latter was unable to play because it disintegrated as a country later that year.

Diplomats say the EU envoy would have to work closely with Mr Ross, but claim Mr Benjamin Netanyahu, Israeli prime minister, was less opposed in private to EU involvement than he had proclaimed publicly.

They say France is working closely and successfully with the US in the surveillance committee set up last spring to oversee the truce in Lebanon between Israeli forces and those of the Hizbollah guerrillas.

The diplomats claimed Mr Netanyahu – more than his predecessor, Mr Shimon Peres – used Mr Chirac last week to pass messages to Mr Yassir Arafat, the Palestinian leader, and to President Hafez al-Assad of Syria.

Meanwhile, inside France, Mr Chirac's Middle East tour has drawn a mixed reaction. According to an Ifop poll, published in the Libération newspaper yesterday, 83 per cent of French thought their president was right to protest publicly abont his Israeli bodyguards and their apparent manipulation of his visit to Jerusalem. Equally, however, 45 per cent thought his trip was a diplomatic failure, and 80 per cent believed France should act within the context of a common European foreign policy towards the region.

Hunger killing 4,500 children a month in Iraq

By Michael Littlejohns, UN Correspondent, in New York

The United Nations aid agency, Unicef, said yesterday that 4,500 children under five were dying of hunger and disease each month in Iraq because of a lack of funds to obtain humanitarian supplies. Such funds are exempted from international sanctions imposed on Iraq.

Ms Carol Bellany, the agency's head, quoted the figure yesterday, describing the situation as "a terrible crisis".

Mr Yasushi Akashi, who co-ordinates UN humanitarian aid, reported that only $1.6m – from France and the Netherlands – had been contributed to his fund for Iraq. Its three-month goal was $39m.

He blamed the poor response on "donor fatigue" and the expectation that there would eventually be a breakthrough in the food-for-oil scheme which would release $1.3bn to Iraq for purchases of food and medicines in the first six months.

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HK contender backs change to legislature

By John Ridding in Hong Kong

Hong Kong's former chief justice, a candidate to head the territory's post-colonial government, yesterday backed China's plan to replace Hong Kong's elected legislature, claiming the move was necessary and legal.

The statement by Sir Ti Liang Yang marked a breach with the Hong Kong government, which is staunchly opposed to formation of a provisional legislature. It came as applications closed for chief executive, the title of the territory's political leader after Hong Kong returns to Chinese sovereignty on July 1 next year. The Chinese government will appoint the successful candidate, after nomination by a Beijing-backed committee. A decision is due by early December.

Sir Ti Liang is one of four serious contenders for the post of chief executive. His rivals include Mr Tung Chee-hwa, the shipping tycoon, who is regarded as a front-runner, Mr Peter Woo, the businessman, and Mr Simon Li, a former appeals court judge.

Yesterday, Sir Ti Liang, referring to the failure of Britain and China to agree on the formation of a legislature to span the handover, said: "Something has got to come in to cope with the situation." He said a legal amendment might be added to the Basic Law, China's constitution for post-1997 Hong Kong, to provide for the new legislature.

However, Sir Ti Liang said it would be unacceptable to have both the provisional legislature and the present Legislative Council operating in the territory before the handover. This echoed the government's view that such a development would prove destabilising.

The former chief justice also stressed the need to uphold the one country/two systems formula which underpins the handover and which provides for Hong Kong's autonomy. "In our relationship with China we should strictly follow the philosophy of Hong Kong people ruling Hong Kong," he said. "The aim is for us to be very firm in implementing the Basic Law which safeguards all our rights."

The selection of the post-colonial governor is one of the most important decisions concerning next year's handover, since the chief executive will be responsible for managing relations with Beijing and upholding Hong Kong's promised autonomy as well as governing the territory. Mr Tung has strong backing from Beijing, but it remains unclear whether China has reached a final decision on its preferred candidate.

Editorial comment, Page 15

Tamil Tigers shoot holes in Sri Lanka's budget

There will be several large holes in the Sri Lankan budget for 1997, to be announced next week, courtesy of the Tamil Tigers. The separatist fighters are proving to be formidable both on the battle ground and on the balance sheet.

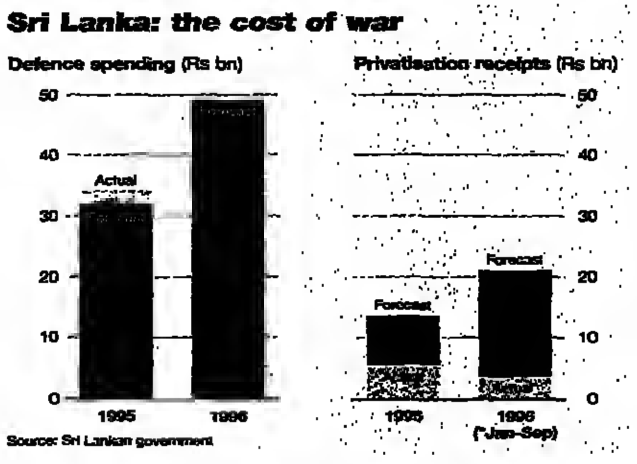
The war is absorbing nearly a quarter of government revenues and as yet President Chandrika Kumaratunga's government shows no sign of curbing defence spending.

The government is banking on mass privatisation but receipts have fallen woefully short. Only 2.9bn rupees ($51m) out of a projected revenue of SLRs21bn has come from the sale of state enterprises, while expenditure on the war has exceeded estimates.

The war was estimated to cost SLRs38bn this year, up from an actual expenditure of SLRs34.97bn last year when fighting was restricted to just eight months of the year. This year, however, fighting escalated and so did defence expenditure. The final figure for 1996 is expected to be around SLRs50bn, or about 30 per cent over budget.

Inflation is running at 21.5 per cent. The growth of the economy this year is expected to be about 3 per cent, down from an earlier government forecast of 5 per cent and a figure of 5.5 per cent in 1995.

Sri Lanka: the cost of war



Source: Sri Lankan government

"The worst is yet to come," said Mr Arjuna Mahendran, senior economist with Crosby financial services.

Faced with the poor response from investors to state sell-offs, the government two months ago took the unorthodox step of becoming a customer for its own privatisation programme.

A plantation company was bought by a front organisation owned by the state-run Bank of Ceylon, and Mr G.L. Peiris, deputy finance minister, quickly defended the action as a one-off purchase to save the market.

Officials say the economy is now more than ever dependent on the privatisation process to raise money to finance the budget deficit, estimated at 10 per cent of gross domestic product.

The privatisation authority, the Public Enterprise Reform Committee, last month advertised a 35 per cent stake in the state-owned Sri Lanka Telecom and bids are being received for the national airline, AirLanka.

Almost all the American, European and Asian giants in telecommunications have shown interest in joining Sri Lanka Telecom but the trade unions have vowed to resist any moves to sell the company.

Stock brokers, however, say investors are unimpressed. Many are waiting in the wings because of the contradictory statements by government ministers and a new law to re-acquire state enterprises privatised by the former government.

Mr Peiris said companies sold under a privatisation plan of the previous administration but which stopped production and laid off staff would be taken back. The influential Chamber of Commerce and Industry described the measure as "draconian".

A spokesman for the chamber said several foreign investors were already rethinking their plans to expand. Contradictions in the government were also worrying many, he said.

For example, Mr M.H.M. Ashraff, the ports minister, is on record saying that he will not sell the Queen Elizabeth Quay (QEQ). But a consortium including P&O of the UK and its Australian subsidiary has been issued a letter of intent by the government to develop the QEQ. Meanwhile Sri Lanka's investment regulatory authority, the Board of Investment (BOI) said that it was going ahead with the QEQ project that could bring in an eventual investment of $650m.

"As far as we are concerned the project is on," said Mr Manilal de Mel, BOI deputy director general. "It is up to the politicians to sort out their problems." For President Kumaratunga, that first and foremost, means ending the war.

Amal Jayasinghe

Benefit for southern Philippines

Peace attracts Islamic banks

By Edward Luce in Manila

The Philippine government said yesterday that five Islamic banks had requested permission to establish branches in the southern Philippines just six weeks after Manila initialled a peace deal with the country's 5m Moslems.

Malaysian and other south east Asian investors unveiled 42bn pesos ($1.5bn) of pledged investment in the Moslem areas at a business conference in Mindanao, the southern Philippines, at the weekend.

As part of the autonomy package signed in September, foreign sponsors of the three-year peace talks – notably Indonesia and Malaysia – pledged to invest heavily in the province on completion of the autonomy deal. The new investments, which include shipping, tourist and agribusiness projects, are expected to come on stream over the next 12 months.

"We have noticed a sharp increase in the number of business investments from Malaysia, especially Sabah, since the signing of the peace accord," said Mr Paul Dominguez, adviser to Mr Ramos on Mindanao.

But Philippine officials say that the Islamic Banks, which include the Malayan Bank, Bank Islam, Bank Bumiputra, Bank of Tabung Haj (all from Malaysia) and the Islamic Development Bank of Brunei, would require special legislation to set up in Mindanao. Last year the Philippine central bank limited new entrants to 10 foreign banks pending a change in the regulations.

Mr Nur Misuari, chairman of the autonomous council in the southern Philippines and leader of the former rebel forces, said Moslem savers had rejected suggestions that mainstream Philippine banks set up Islamic branches in the south because they would need to recycle "sin funds" from other branches. Islamic banks would attract many deposits, he added.

Officials from Sabah and the Philippine government also conducted informal talks about the repatriation of 300,000 Filipino Moslem refugees from the Malaysian state in the wake of the completion of the peace agreement. The refugees, who fled Mindanao during the heaviest fighting in the 1970s and 1980s, have formed the backbone of the construction sector and other labour-intensive industries in Sabah. "We are in two minds about our Filipino refugees," said one Malaysian businessman. "They must eventually go home but they are important to the Sabah economy."

ASIA-PACIFIC NEWS DIGEST

China 'brings home copper'

China's reported repatriation of large quantities of copper from London Metal Exchange-approved warehouses may have been prompted by higher prices available on the domestic market, a Chinese official said yesterday. But Mr Wang Zhongkui of the China National Nonferrous Metals Industry Corporation said he had no explicit knowledge of up to 100,000 tonnes of copper being held in bonded warehouses in Shanghai.

"At the moment I am unaware of any large-scale purchasing by the government," Mr Wang told a metals conference in Beijing, but he added it was "possible" the authorities were taking advantage of price differentials. Shanghai copper futures ended sharply up yesterday with later-maturing contracts breaching the Yn19,500 ($2,407) resistance level due to last Friday's heavy LME gains.

● Profits of state-owned industries slumped by 28.5 per cent to Yn22.6bn ($2.7bn) in the first nine months compared with the same period last year. Companies operating in the red saw losses mount further, up 23 per cent to Yn14bn, reflecting the effects of a continuing credit squeeze. *Tony Walker and Sophie Roell, Beijing*

Asia's infrastructure needs

The much-vaunted contribution of the private sector to Asia's infrastructure development has been marginal, at only 10 per cent of spending so far, and is likely to grow only slowly over the coming decade, Mr Lee Bong-suh, vice president of the Asian Development Bank said. Ten years from now it would account for only 20 per cent of infrastructure spending, so governments will still have to find the bulk of the $1,500bn needed to upgrade regional infrastructure, he told a UN ministerial conference. *Peter Montagnon, New Delhi*

Singapore changes voting law

Singapore's parliament yesterday passed an electoral reform bill which observers said would make it more difficult for opposition politicians to win. The bill to amend the constitution was passed by a vote of 64-4. Mr Goh Chok Tong, the prime minister, denied that the reform was designed to increase the parliamentary representation of his People's Action party.

The amendments increase the number of candidates who may stand as teams in so-called group "representation constituencies" (GRCs) from four to six. The team with the most votes takes the seats. There are now 15 four-seat GRCs and 21 single-seat wards. Under the reforms, there could be as few as eight single-seat constituencies. Because the opposition has been able to field fewer candidates than the ruling party, the increase in the number of GRCs and the number of candidates in each GRC team may worsen the opposition's chances, analysts said. *James Kynge, Kuala Lumpur*

EU restricts Burma contacts

The European Union yesterday imposed strict limits on contacts with Burmese officials and their families in response to what the 15-nation bloc sees as Burma's continuing failure to respect human rights. EU foreign ministers agreed to the move – part of a gradual build-up of pressure on Rangoon's military government – without debate. "There is a very serious situation in Burma with a lack of respect for human rights and democracy," said Mr Dick Spring, Irish foreign minister. *Reuter, Luxembourg*

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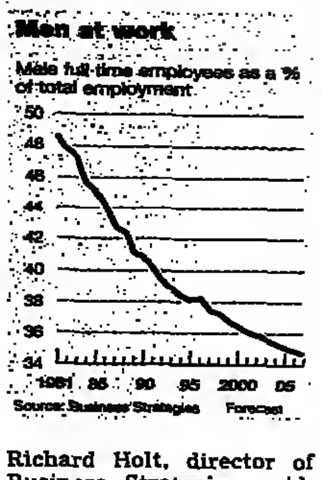
NEWS: UK

Jobless total is predicted to stay at 2m

By Andrew Bolger, Employment Correspondent



The UK will create 1.5m jobs over the next 10 years – but half will be part-time and the rest will come from self-employment, says a government-funded forecast. It says the number of full-time employees is unlikely to increase.

Unemployment is likely to stay at about 2m even if there is a change of government at the next general election, adds Business Strategies, an independent consultancy whose research was funded by the government's Department for Education and Employment. The election must be held by May next year at the latest.

Mr Neil Blake, research director for the consultancy, said nothing in the policy of the opposition Labour party "would lead us to change our view of the unemployment outlook".

The proportion of total employment held by male full-timers is forecast to continue falling – reaching 35 per cent by 2006 compared with 49 per cent in 1981. Mr Blake said: "With employers creating almost no extra full-time jobs, 790,000 more people will opt for self-employment between now and 2006."

The report forecasts that there will also be 770,000 new jobs for employees by 2006 but that almost all will be part-time. Many will be in personal services, ranging from bar work to childcare. There will also be more part-time jobs for shop-workers.

Women are expected to continue dominating part-time work, with about an 80 per cent share of those jobs. Their share of self-employment is expected to rise slightly, from 25 per cent this year to 27 per cent by 2006. This means women will capture two-thirds of the total growth in work. Mr Richard Holt, director of Business Strategies, said: "The extra jobs will do little to bring down the number of people registered as unemployed, which we forecast will fall by just 131,000 between now and 2006, to a figure of 1.99m.

"The fastest rises in employment overall (27 per cent) will be for many professional workers such as lawyers, accountants and even doctors – although not teachers and lecturers. The number of professional jobs will rise by over a quarter but few people registered as unemployed will benefit directly from these opportunities."

Financial and business services is the sector of the economy which is forecast to experience the fastest growth between now and 2006. The report says: "Both main parts of the sector are likely to experience rising demand over the long term, which will offset pressure on employment in banking and finance caused by new technology and a likely restructuring of the sector."

Growth is forecast among managers and sales staff, with women getting the lion's share in both cases. Employment is expected to decline among secretarial and clerical staff, and for skilled and unskilled production workers.

Ex-envoy criticises EU foreign policy

By Bruce Clark, Diplomatic Correspondent

The European Union's Common Foreign and Security Policy needs strengthening because it still falls far short of its potential as a force in world affairs, says a paper published yesterday by a pro-European think-tank in Britain.

The paper was written by Sir David Hannay, who has served as UK ambassador to the EU and the United Nations. He says that continuing with the current foreign policymaking procedure, under which all EU members have a veto, is likely to "lead to considerable frustration" as the Union enlarges.

Without saying which version of majority voting would be preferable, the paper suggests that one alternative would be to follow the example of the UN Security Council and restrict the right of veto to the most important member states.

The paper says the CFSP needs permanent financing arrangements, separate from the EU budget. To scrutinise the CFSP, it says that a US-style committee on foreign relations might be formed by legislators from the EU's member states.

Action Centre for Europe, which published the paper, is a lobby group headed by senior pro-European politicians, mostly Conservative.

Mr Douglas Hurd, the former foreign secretary, says in a foreword that "the Americans are occasionally baffled by the incoherence of the foreign policies of European countries".

"They would welcome a serious effort by the Europeans to set ourselves up not as rivals, but as partners," Mr Hurd adds.

To upgrade the EU's ability to plan ahead and respond to crises, the paper suggests broadening the small CFSP secretariat in Brussels to include planning and analysis departments and a "conflict prevention" unit.

The paper endorses the idea of a "Mr or Miss CFSP" – first proposed by France and now supported by Britain – to present EU policies to the outside world. It adds that, initially at least, this should be a fixed-term, non-renewable appointment.

The European Union's Common Foreign and Security Policy: a Menu for Reform, Sir David Hannay. Action Centre for Europe, 2 Queen Anne's Gate, London SW1H 9AA.

Sir David Hannay: his paper warns of future frustration

Europe's pensions 'silence' attacked

By James Blitz, Political Correspondent

An all-party committee of the House of Commons will this week call for unfunded pension liabilities to become a new criterion for European monetary union, arguing that the UK could be severely disadvantaged by current arrangements.

In a detailed report that aims to raise the profile of the issue in Britain and the EU, the all-party social security committee will insist that unfunded pensions liabilities should be "taken into account" when considering the eligibility of each country for the single currency. Unfunded pension commitments are those not covered by specific assets.

The committee says the liabilities should become a criterion for policing the new arrangements for monetary union after it has taken place. It will call on ministers to encourage their European partners to publish figures on unfunded schemes in their own countries.

Eurosceptic Conservative MPs have repeatedly expressed fears that the large number of unfunded pension schemes in France and Germany would severely disadvantage the UK if sterling joined a single currency. One MP said last night that there had been a "conspiracy of silence across Europe" on the issue.

The government claims total holding of assets in the UK in the form of funded schemes – like occupational and personal pensions – now amounts to some £600bn. Ministers say this is more than the total for funded liabilities in all EU states.

By contrast, the large number of unfunded schemes in Europe – in which the current generation of taxpayers meets the cost of paying pensions to the current generation of elderly – could mean that substantial liabilities fall on European taxpayers as their populations grow older.

Top Labour figures at odds over Emu

Attitudes towards fate of sterling vary widely in biggest opposition party

There are two issues of great sensitivity in the opposition Labour party: whether sterling should join a single European currency in the first wave in 1999 and whether Mr Robin Cook and Mr Gordon Brown could co-exist in any future Labour cabinet.

The mutual rivalry – bordering on enmity – between the two senior party figures is legendary. This is unfortunate for Labour's leader, Mr Tony Blair, because Mr Cook is the party's shadow foreign secretary and Mr Brown shadow chancellor of the exchequer. They are therefore Mr Blair's two most important lieutenants.

Mr Cook raised the stakes in his contest with Mr Brown on Sunday, when he gave a BBC television interview devoted in large part to refining Labour's approach to monetary union.

This was provocative in itself. Mr Brown – like Mr Kenneth Clarke, the chancellor in the Conservative government – is zealous in asserting his claim to overall responsibility for his party's position on a single currency.

On the other hand, Mr Cook could not afford to be seen as the perpetrator of a public dispute with Mr Brown, even though he is far more sceptical than Mr Brown on the merits of monetary union. He therefore expressed his caution while just remaining within the bounds of Labour's official policy.

Mr Cook came as close as possible to saying that a Labour government would not join Emu in the first wave without making a cast iron commitment. He did, however, say that sterling's participation was inevitable in the long term "if the single currency succeeds".

Mr Brown, by contrast, is less grudging in his support for monetary union. He does not believe that sterling should be a first round member at any cost – but is persuaded that the economic price of staying outside may be the decisive factor for joining.

Between the two is Mr Blair. He shares Mr Brown's fundamental pro-Europeanism, but tends towards Mr Cook in respect of seeing the risks of joining in the first wave.

So on the day after Mr Cook's declaration of faith, which of the two came off best? On the margin, Mr Cook may have damaged his chances of becoming chancellor, a position he is widely believed to covet.

The reason is that he used the "D" word – for devaluation – which is frowned on in top Labour circles. Mr Cook said it would "be very risky for Britain to give up the option in future of devaluing if that was necessary", unless a Labour government was confident about the robustness of the UK economy.

"The whole thrust of Gordon's approach has been to convince the markets that Labour is no longer the party of devaluation", said an MP close to Mr Brown. "Can you imagine the interest rate penalty the UK would have to pay if we stayed outside the single currency in the first round and Robin was chancellor?"

In circles around Mr Brown, there was also concern at Mr Cook's elaboration of the conditions which the UK would have to meet to prove itself fit for a single currency.

He talked about the "ability to match the investment, to match the skills, to match the output, to match the output unit costs of the European economies, particularly Germany".

This appears different from Mr Brown's recent statements on "the degree of integration and convergence" necessary for sterling participation.

In a speech he gave last spring in Germany, Mr Brown said that "real convergence does not of course mean that we have to have exactly the same levels of output or productivity".

Mr Brown is concerned about the capacity of the UK economy to absorb external shocks.

He is therefore interested in Labour mobility on the one hand – an economy's ability to shed jobs in unproductive industries and create new ones – and whether the UK economy is still too dependent on US performance relative to mainland Europe.

There is another point on which the two diverge. Mr Cook believes that the legislative and administrative burden of joining in the first wave is excessive, a view which is becoming fashionable in Labour circles.

However, it is not shared by Mr Brown, who believes that the timetable can be met if the will exists to proceed.

Robert Peston

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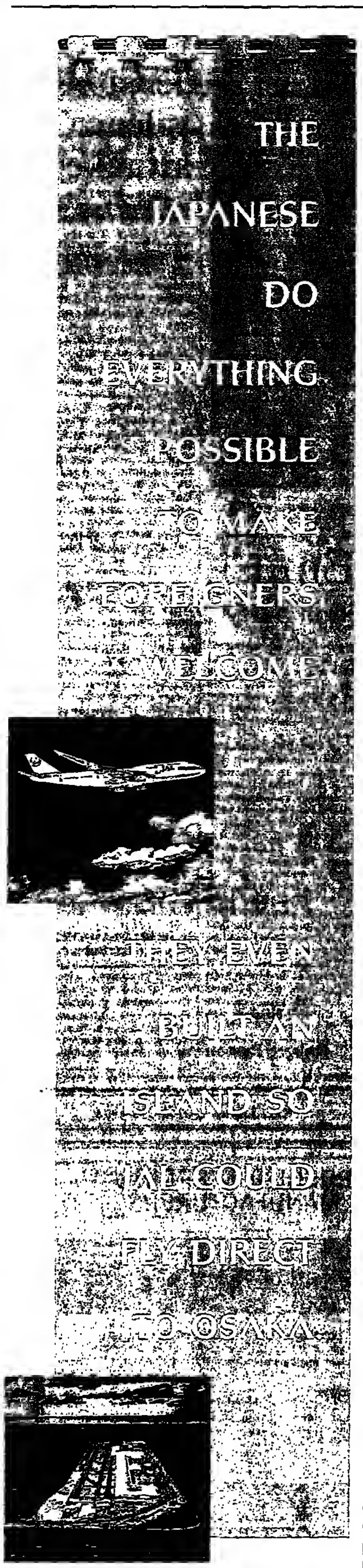

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A BETTER APPROACH TO BUSINESS

BT starts $78m Internet kiosk project

By Nicholas Denton in London

British Telecommunications is preparing to invest £50m ($78m) to build Europe's largest network of touch-screen kiosks to bring the Internet to the general public.

The Touchpoint terminals, launched yesterday, will allow users to book flights and cinema tickets, and order products such as flowers and wine. They will also display maps and news.

Although France's Minitel system has allowed users to look up telephone numbers and book train tickets for more than a decade, Touchpoint will be Europe's first large-scale kiosk network using software designed for the Internet.

In the US, a group including CompuServe, the online service, is introducing about 1,000 public Internet terminals in Baltimore and Washington DC; and Holiday Inn, the hotel chain, is putting Internet kiosks in business centres and lobby areas.

In the UK, up to 10,000 kiosks will be placed in busy locations such as shopping and leisure centres, hotels and universities over the next four years if the pilot project is successful. BT expects the total cost to be £50m.

BT is seeking to diversify its revenues as basic call charges fall. Although the kiosks have a coin slot and users will have to pay a small amount for some services, BT's main revenues from Touchpoint are expected from advertising and from an agent's fee on goods sold through the system.

Users will be put through to companies providing goods and services by telephone and then pay via credit card. The service offers the same level of payment security as standard telephone services.

BT has signed up companies including Thresher, the chain of liquor stores, Interflora, which distributes flowers, and Thomson Tour Operators. BT will earn sales commissions ranging from 5 per cent on items such as cinema tickets to 40 per cent on high-margin goods such as jewellery.

Advertisers such as Carling, the UK beer brand which has bought space in the sports news section of the service, will initially pay by the month. But BT may later charge companies according to the frequency with which users respond to the advertisement.

In the pilot project, BT will install about 200 kiosks in London over the next six weeks.

Computers 'making little impact in homes'

British people believe science and technology have made life easier, but they are not convinced that computers offer real benefits in their domestic lives.

These are among findings of a survey that challenges conventional thinking about information technology and raises questions about its impact on people at home.

Early results from the three-year study – known as Future.com – suggest that the public is unimpressed by the claims made for new technology and that the "information revolution" is a myth. New technology was making an impact in the workplace, but not in homes.

The study was jointly administered by Ogilvy & Mather, the advertising company, and the Institute of Communications Studies at Leeds University in north-east England. It was based on responses from more than 5,000 homes.

Instead of "an information revolution", the study suggests a process of steady change in which new technologies are accepted into the home only when the benefits are clear and the price is right. "We are experiencing evolution, not revolution," the report suggests.

Almost 80 per cent of respondents believe that if they do not keep up with technology, they risk being "left behind".

Survey says technological movement is evolution, not a revolution

More than three out of every five people are "not thinking about getting a computer", and although almost 30 per cent of people have access to a computer at home, only 18 per cent regularly use it to work on.

The most common reasons for not owning a computer were: not having a need for one (62 per cent), too expensive (19 per cent) and not understanding them (15 per cent). Six per cent said they preferred to do other things with their time at home and 3 per cent admitted to disliking new technology. The survey revealed that 76 per cent of the workforce does not use a PC regularly.

The authors say "this contradicts the commonly accepted view that the information age will create an underclass excluded from the new technologies; the initial findings of Future.com suggest this may be a premature, alarmist conclusion".

Child education remains the main motivation for getting a PC (51 per cent), followed by Internet access (9 per cent) and electronic mail (3 per cent). Almost half those thinking about buying a PC were aged between 25 and 34. Adult and middle-aged people emerge as the most frequent users of the Internet and on-line services at home.

People are increasingly using computer technology in public places such as shopping centres (25 per cent), airports (15 per cent), museums and art galleries (12 per cent), at railway and bus stations (12 per cent), public libraries (11 per cent), shops (10 per cent) and hospitals (3 per cent).

Almost three-quarters of those surveyed carry some form of financial card. The average number of cards owned is 2.1. Nearly 60 per cent have at least one store loyalty card, but the study suggest people have little understanding of the "real" motives behind stores issuing them – the creation of customer databases.

The report reveals that almost everyone has a television and four out of five respondents have video recorders. The average number of televisions per household is two, 18 per cent of those surveyed have a mobile phone and 2 per cent a car phone.

The study was sponsored by the Independent Television Commission, Ford, Guinness, Lever, Flextech, Telewest Communications and Royal Mail.

Paul Taylor

Islands' tax haven status attacked

PA News Reporter

The Channel Islands between Britain and France and the Isle of Man between England and Ireland should lose their "elitist" tax haven status and be brought fully into the European Union, Mr Robert Evans, a member of the European Parliament, said yesterday. Mr Evans is the opposition Labour party's MEP for London North West.

He pointed ont that tha Canary Islands are part of the EU and asked the European Commission whether the statns of the Channel Isles and the Isle of Man was just a loophole, "or is there a real purpose for their separate existence?"

The Channel Islands and Isle of Man were within UK territory, relied on the rest of Europe for many services and facilities, and had the British monarch as head of state, Mr Evans said. They should therefore be treated like the rest of the EU. "I think it does undermine the status of the European Union to have these islands operating in effect as playgrounds for the super rich within Europe's borders and able to cock a snook at the rest of the Community."

● Guernsey, the second largesat of the Channel islands, may follow Jersey's lead and introduce limited liability partnerships, which would offer some legal protection for the partners of accountancy firms registering in Geurnsey.

The legislation, proposed by the Guernsey Society of Chartered and Certified Accountants, is aimed at island-based partnerships. In contrast, Jersey's law – the first of its kind in Europe – aims to attract firms from the UK.

The Guernsey law would be similar to Jersey's in that it would remove joint liability. That means that, if an action is brought against a limited liability partner, the personal assets of those partners not directly involved in the dispnte would be protected.

"What we are proposing will be attractive to many local partnerships," said Mr Steve Harlow, managing partner of Ernst & Young's Guernsey partnership.

UK NEWS DIGEST

Two held over airport attack

Two men were arrested in London yesterday in connection with IRA mortar bomb attacks on London's main airport, Heathrow, two years ago.

A dozen mortar bombs were fired at Heathrow in three separate attacks within days of each other in March 1994. None exploded, but one landed on the roof of Terminal Four, which was crowded with passengers, while others narrowly missed parked aircraft. The attacks, plus other warnings of more bombs, caused panic among passengers.

Meanwhile five suspects are due to appear in the Special Criminal Court in the Republic of Ireland after a raid on a remote farmhouse in County Donegal, which Irish police believe may have been an IRA training camp. The farmhouse is near the border with the Republic of Ireland. The police found a primed mortar bomb, high-powered rifles, ammunition and explosives. Also found were manuals, sleeping bags and details of target areas, indicating that police had uncovered a significant IRA training camp as well as an arms store.

The mortar was similar to devices used in a number of IRA strikes on military targets in Northern Ireland before the terrorist group's now-abandoned 17-month-long ceasefire.

■ LAW AND ORDER

New knife ban moves closer

The government yesterday moved closer to banning new categories of knives, as the opposition Labour party accused ministers of failing to keep pace with public resolve to tackle violent crime.

Mr Michael Howard, the home secretary, said during an acrimonious debate in the House of Commons on law and order that he was prepared to work with the opposition on ways of outlawing so-called combat knives if a suitable definition could be found. Labour described Mr Howard's remarks as a significant concession, following the government's policy reversal last week when Mr John Major, the prime minister, agreed to a Labour proposal to cooperate on passing bills on sexual offenders and stalkers.

Mr Jack Straw, Labour's home affairs spokesman, last night wrote to Mr Howard offering such a definition, which would be based not on the type of knife but on its prospective use. Under Labour's proposals, the sale of a knife would be forbidden if it was advertised "in a way which appears to cite or condone the possession of such an article for violent purposes". *John Kampfner*

Editorial comment, Page 15

■ THE ECONOMIST

New chief executive named

Ms Helen Alexander is to become the new chief executive of The Economist Group from January in succession to Ms Marjorie Scardino who has been appointed chief executive of Pearson, the media group which owns the Financial Times and 50 per cent of The Economist Group. Ms Alexander is currently managing director of The Economist Intelligence Unit, the group's business information wing. *Raymond Snoddy*

■ FARMLAND SURVEY

Prices still 30% higher on year

Farmland prices edged down from record levels in the third quarter of the year, but were still 30 per cent higher than a year ago, the Royal Institution of Chartered Surveyors said in a survey published today. Strongest demand came from large farmers and agribusinesses, which are driving a vigorous market for arable land, the institution said. Average prices for farmland were £7,324 ($11,425) per hectare. *Alison Maitland*

Store rises from the ashes

By Richard Wolffe in Manchester

Lift-off: removal of a shopping centre bridge was one of the first elements in Manchester's revival of its bombed centre

Marks and Spencer is to re-open in the centre of Manchester this week for the first time since an IRA bomb devastated its store in the city in June. The retailer is to trade on two sites in the city centre over the next three years while it demolishes and rebuilds a larger store in place of the bomb-damaged building.

M&S has become the focus of attention among Manchester shoppers and traders since the bomb, and is an important supporter of the ambitious project to redesign Manchester's city centre.

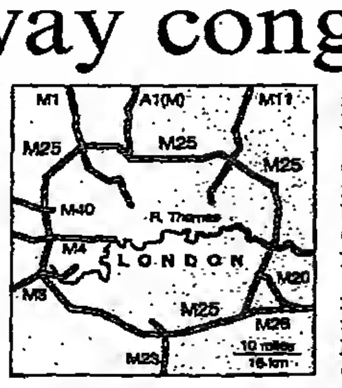
M&S has conducted a high-profile campaign in Manchester to maintain links with ite customers since the bomb. The retailer recently mailed about 400,000 charge-card holders in the region, and distributed 75,000 free magazines to shoppers in the city centre.

The retailing community in Manchester has been keen for M&S to re-open as soon as possible to boost the number of ehoppers in the city centre.

Julian Hulse, chief executive of Manchester Chamber of Commerce, said: "Marks and Spencer is the number one shopping draw and the opening of the new stores will mark the re-opening of the city as a Christmas shopping destination."

The M&S plans to build the new Manchester store are at the heart of a design competition.

London encircled by motorway congestion



Critics of the M25 orbital motorway round London say that the frequent delays on the road are a sign of the UK's failure to devise a balanced transport policy which would shift more passengers and freight to rail.

The 185km motorway is claimed to be the longest bypass in the world and it continues to be surrounded by controversy 10 years after its completion.

It accounts for 14 per cent of the nation's motorway traffic, but only 6 per cent of the motorway network by length. Supporters point to the large volumes of traffic using the motorway each day as proof that it is doing its job.

Two-thirds of road hauliers made savings on journey times, according to a 1990 survey by Westminster University's transport studies group. It looked at more than 200 groups operating nearly 7,000 vehicles, and found other benefits which helped hauliers increase their business or reduce costs.

Some 39 per cent said they were able to make longer trips and win more business while 45 per cent increased their mileage without increasing the number of vehicles operated.

The M25 has had an impact on the surrounding road network and 45 per cent of hauliers interviewed in the Westminster survey reported less congestion on other nearby routes. The M25 has removed 25m truck journeys from the streets of central London since its completion, according to the Freight Transport Association.

But even in 1990, at the time of the Westminster survey, congestion on the M25 was becoming a problem. Some 77 per cent of hauliers complained of congestion on some part of the motorway.

That is due in part to the fact that the M25 was originally intended to form just one part of an ambitious series of road links around London.

The Greater London Development Plan of 1969 called for three ring roads to be built, including two closer to central London than the present M25.

The absence of these inner motorway rings has contributed to congestion on the M25. Sections designed to carry 90,000 vehicles a day now carry 120,000; one section meant for 120,000 a day carries 200,000.

Proposals to build a series of parallel link roads to take some busy sections of the M25 up to 14 lanes were dropped by the government last year after protests from residents, councils and backbench MPs. Current plans envisage only one busy section widened to 12 lanes, but without taking up extra land.

But in future, congestion control will depend increasingly on more sophisticated traffic management – installing variable message signs, imposing uniform lane speeds and limiting access at certain points – rather than on any large-scale expansion of the network.

Charles Batchelor

Crotone Sviluppo
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FOR
THE CRISIS AREA OF CROTONE - ITALY

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Extension of deadline for the presentation of applications for grants

In view of the serious effects of the flooding of 14th October 1996 on the infrastructure and entire production system, the Società Consortile Crotone Sviluppo, Intermediary Authority for the management of a Global Subsidy for the reindustrialisation of the crisis area of Crotone, has decided to extend the deadline for the presentation of applications for grants.

The definitive deadline is 1 p.m. on 10th December 1996.

For further information about the grants for companies, please consult the notice published in Il Sole 24 ore on 10.7.96 and 18.7.96, in the Gazzetta del Sud on 9.7.96, in the Crotonese on 9.7.96 and in the Financial Times on 12.7.96.

Further information about the procedure for presenting the investment projects, together with the relative forms to be used, can be requested directly from the Intermediary Body:

Crotone Sviluppo Scpa, S.S. 106 Ionica - 88074 Crotone - Italy.
Tel. +39/962/938000 - Fax +39/962/930033

LAW

Right to be heard upheld

EUROPEAN COURT

The fundamental principle of European law that a defendant has a right to be heard applies even where a decision which adversely affects his interests is not specifically addressed to him, the European Court of Justice ruled last week.

The case arose from a European Commission decision authorising assistance from the European Social Fund for a vocational training project in Portugal.

The beneficiaries were all Portuguese companies involved in the project. These companies received 50 per cent of the EU funds in advance and submitted a claim for the balance. However, this was not paid when irregularities at two of the companies were detected.

The Commission wrote to the Portuguese Ministry of Employment and Social Security saying funds had been used for ineligible expenditure and that a large part of the initial advance had to be repaid. The Portuguese authorities were given 30 days to submit their observations.

The Commission was told no submissions had been made and that the national authorities accepted the decision. A repayment demand was made and the companies involved were then informed. They brought proceedings before the European Court of First Instance challenging the Commission's decision.

The CFI annulled the Commission's decision on the ground that it infringed the companies' right to be heard. The Commission appealed to the European Court of Justice.

In its appeal, the Commission claimed the CFI committed errors of law by holding that the companies' rights had been infringed. In particular, it claimed the CFI was wrong to hold the Commission could not adopt the decision in question before giving the companies the opportunity of giving their views. It relied on the three arguments. First, it was impossible to give the companies the right to be heard because of the way in which the administration and management of the European Social Fund was structured. Secondly, the decision did not impose any sanction on the companies. Thirdly, the way in which the fund was administered made it difficult in practice for the Commission to consult the companies directly.

The court dismissed the argument that there was no need for the observance of the right to be heard as the companies did not play a central and significant role in the relevant procedure and the only financial relationships created were between the Commission and the Portuguese authorities.It found that the companies were directly implicated in the investigation which led to the decision.

Furthermore, although the Commission's decision was addressed to the Portuguese authorities, it named and expressly referred to the companies as direct beneficiaries of the assistance. The fact that the national authorities were consulted before the Commission adopted its decision did not justify the failure to apply the right to be heard to the beneficiary companies.

With regard to the second submission, the court found that the Commission's decision deprived the companies of the whole of the assistance which had been granted to them. The companies therefore suffered directly the economic consequences of the decision.

As to the third argument, the court held that the Commission could not rely on an argument based on practical grounds to justify infringement of a fundamental principle of European law. The appeal was therefore dismissed.

C-32/95: Commission v Lisrestal and others, ECJ 6CH, October 24 1996.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Scaroni rises at Pilkington

Paolo Scaroni is to become boss of the world's biggest automotive glass operation, in the new role of president, automotive products worldwide at Pilkington, the UK glass-maker. As such, he will oversee a business that equips one in every four cars produced on the planet. The appointment, which takes effect from November 15, looks like the first step in a strategy to replace Peter Grunwell, who retires next July at the age of 60 from his role as Pilkington's director for the Americas.

Grunwell was also responsible for Pilkington's automotive business which, with annual sales of Pounds 1.18bn, accounts for 40 per cent of the group's turnover.

An Italian, Scaroni began his career with McKinsey Co., the consultants, and then joined St Gobain, Pilkington's biggest European rival (and joint venture partner in Latin America). In 1984 he became head of St Gobain's glass-making operations worldwide.

Later, he joined Techint, an Italian engineering company that partnered Pilkington in the purchase of the former Italian state glass-maker Societa Italiana Vetro. Scaroni became managing director of SIV, enabling Pilkington to take full control last year by completing restructuring the £300m-a-year business, 12 months ahead of schedule.

Scaroni, 49, is being lured from Techint to help the automotive glass business respond more effectively to the demands of car-makers determined to globalise and streamline their components purchasing. The signs are that he is also being groomed to be the first foreign executive on the board of Pilkington, one of the few UK companies that is truly global in its operations. *Ross Tieman, London*

Australian farewell

Les Cullen (left), the former De La Rue finance director who followed United Biscuits' David Hearn from the UK to Australia with Goodman Fielder, has resigned as finance director of the troubled food manufacturer after only seven months. According to a company statement, Cullen will leave in mid-November "to pursue more broadly-based management responsibilities elsewhere".

Commenting on the announcement, Hearn paid tribute to Cullen's "significant contribution" to the group during his short stay. It is not clear whether Cullen will be staying in Australia, or returning to the UK. *Nikki Tait, Sydney*

JSE picks Loubser

The Johannesburg Stock Exchange has surprised brokers by appointing a trader to succeed Roy Anderson as president of the bourse. Russell Loubser, a career merchant banker, will take over the reins on February 1.

The appointment is a break from the JSE's tradition of appointing figureheads from big business to the top job. Loubser, 46, is less well known in business circles than his predecessors, and has yet to earn a reputation as a public speaker.

The new approach mirrors the changing culture of the 108-year-old bourse, which finally abandoned open outcry trading in June. Loubser, a career merchant banker, played a leading role in launching the South African futures industry in 1987. He chaired the Futures Exchange for two years, and brings to the JSE the skills acquired during aeven years in charge of the trading room at Rand Merchant Bank.

Loubser says the next step in Johannesburg's evolution will be the introduction next year of an electronic central depository for scrip. He also intends to foster closer ties with other African countries. *Mark Ashurst, Johannesburg*

... and IDC Ngqula

Khaya Ngqula (left) has been named the first black chief executive of the Industrial Development Corporation of South Africa, the state-owned venture capital group which pioneered the country's industrial expansion during the apartheid era. Khaya Ngqula, 40, currently managing director of Norwich Life in Johannesburg, will take up one of the most powerful corporate positions in the public sector in February.

From its origins as a holding company for equity in blue-chip industries privatised in the 1980s, the IDC financed a wide range of strategic industrial investments during the sanctions era. More recently, it has acted as a catalyst for spreading risk and attracting private sector capital to industrial investments.

Ngqula's task will be to shift the emphasis towards more labour-intensiva, export-oriented industries. A former personal assistant to the South African managing director of International Business Machines, he worked as a district sales manager for South African Breweries hefora joining Norwich Life as business development manager in 1991. *Mark Ashurst, Johannesburg*

Calver moves on

Brian Calver is stepping down as chief executive of Sierra Rutile, to take over the reins as managing director of Navan Resources, the Dublin based mining company.

Calver says Sierra Rutile was "a damned good project. It is the best ore body I have ever worked on." However, in January last year rebels overran the rutile mine in Sierra Laone owned by Sierra Rntile, where Calver has been managing director for three years. He was not there at the tima – his base was in the UK, where he waited with increasing frustration until March this year when it was possible for Sierra Rutile to move back into the mine.

He takes over from Paul Mihalop, Navan Resources' founder, next month, though Mihalop remains on tha board. Calver, 53, is enthusiastic ahout Navan's prospects, particularly in Bulgaria, where it has reopened the Chelopech gold-copper mine, and in Spain where the company is working on the Aguas Tenidas copper-lead-zinc project and another big scheme. *Kenneth Gooding, London*

ON THE MOVE

■ Herbert Lanese, president of the MCDONNELL DOUGLAS aerospace unit, has left the company after what Harry Stonecipher, the group's president and chief executive, described as "sharp working differences involving management and leadership styles". Stonecipher will take charge of aerospace military components until a successor is named. In a separate move, James Sinnett, 56, previously with the advanced systems & technology–Phantom Works, takes the new position of corporate vice-president – technology. He is replaced at Phantom Works by David Swain, 54, divisional general manager.

■ Katheryn Fong, 50, becomes vice-president customer services, and Leslie Everett, 45, vice-president and corporate secretary of PACIFIC GAS & ELECTRIC. Fong succeeds Lendrith Jackson, 53, who is taking extended leave for health reasons.

■ Diane d'Oleon, 43, most recently communications adviser in the French ministry of finance and foreign trade, joins DANONE, the French foods group, as director of corporate communications. Pierre Benaich reports to her as director, financial communications.

■ Robert Parmenter, a 31-year EATON CORPORATION veteran, sncceeds John Carmont, who is retiring, as Eaton's vice-president and treasurer on January 1.

■ Utz Claassen, financial director of Volkswagen's Spanish subsidiary SEAT, is moving to Germany as chairman of SARTORIUS.

■ Marcial Portela Alvarez and Jose Montes Fernandez have left the board of TELEFONICA DE ESPANA. They are replaced at the Spanish telecoms operator by Cristobal Ricardo Montoro Romero and Miguel Zorita Lees.

■ Ake Fredriksson, 48, rises to president and chief executive of PERSTORP, the Swedish chemicals company, from January 25. He succeeds Gosta Wiking, who becomes chairman in succession to Karl-Erik Sahlberg.

■ Michael Emery is to retire as senior vice-president of operations at DUPONT, the US chemicals group, on December 31. Emery, a 35-year DuPont veteran, was responsible also for Mexico and South America. He is not being directly replaced.

■ David Martin, recently retired president and chief executive of Occidental Oil and Gas, has retired from the board of CANADIAN OCCIDENTAL PETROLEUM.

■ Yin Chunda is appointed chairman of JINGWEI TEXTILE MACHINERY of Hong Kong, replacing Mei Zaisen, who has resigned.

■ Michel Rose, 53, becomes managing director at LAFARGE, tha French construction materials group, taking responsibility for newly industrialised countries. He has been chief executive of Lafarge Corp in tha US since 1992, where he has been replaced by John Piecuch, 50.

■ HASBRO, the toys and games giant, has moved Dave Wilson, president of Hasbro games group, to president, Americas of the new sales and regional marketing operation group. Ginger Kent, currently general manager, boys and girls toys, Hasbro toy group, becomes president of the brands and product development operating group.

■ Mike Maloney moves to head of operations in Europe, Middle East and Africa, at GATEWAY 2000, the US-based personal computers direct sales group. He succeeds Mike Dunne, who takes on a headquarters role.

■ Jeffrey Hurlbert, 48, has been promoted to executive director of sales for GENERAL MOTORS EUROPE, from January 1, co-ordinating Opel sales in 15 European countries. He succeeds Raz Razaq, who becomes vice-president of sales, marketing and aftersales for GM Europe.

■ Woody Knight has been appointed vice-chairman of SCANDINAVIAN BROADCASTING SYSTEM. This new position covers financial, legal, and administrative matters. He joins from Prudential Securities in Naw York.

■ Achmad Kalla has been appointed to the new post of chief executive of Indonesia'a BUKAKA TEKNIK UTAMA. He will be directly responsible to the president director, Fadel Muhammad.

■ Scott Nelson, former president of Amerada Hess Canada, joins the board of SPIRIT CORPORATION.

■ Walter Pollock has joined PORTLAND GENERAL, the Oregon electricity company, as senior vice-president of municipal services. Portland General recently announced plans to merge with Enron Corporation of Houston.

■ Sanat Dutta has been promoted to president of INGRAM MICRO, the US computer and distribntion company.

■ Carel van der Spek, 48, joins the management board of F. VAN LANSCHOT BANKIERS, the Dutch bank, from November 18. He will have special responsibility for investment banking and replaces Cas de Quay who has retired. Van der Spek was formerly general manager UK of AMRO London and most recently vice-president in charge of global relationships at ABN AMRO Bank.

■ Patrick Pitcher, 46, president and chief executive of Saatchi & Saatchi's office in Canada, has been promoted to chief executive of SAATCHI & SAATCHI ASIA, from January 1. He replaces Peter Watkins, who is leaving the advertising business.

■ New Zealand Brewer LION NATHAN has appointed Gordon Cairns, currently managing director of Pepsi Cola Bottlers Australia, as managing director of its Australian brewing operations, after the appointment of Tony van Kralingen from South Africa fell through. Leon L'Huillier, the previous managing director, resigned in June.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

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Ivan Kino
Chairman of the Board and President of Slovenska sporitelna

The Slovak Savings Bank, Joint-Stock Co. and its Position in Slovakia's Economy

The Slovak Republic ranks among the successfully transforming countries striving to join the European and world structures in an effective and efficient manner. The financial market has become the major principle of this complex process. The basic pillar of the financial market has been traditionally created by commercial banks.

The Slovak Savings Bank (SLSP) is a supporter and successor of the historical traditions of the savings banking system which has been deeply rooted in Slovakia. It has a dominant position within this banking discipline in Slovakia. In the process of its development which dates back to the late 16th century, the savings banking system in Slovakia has undergone many changes. It was not until 1969 that we had been able to trace the establishment of the Slovak Savings Bank. After having been provided with a commercial bank licence in 1990, the Savings Bank has entered the process of transformation into a universal bank. In 1994, the state-run financial institution was turned into a joint-stock company.

The share of the SLSP total balance in comparison with the total banking balance on the relevant market in the Slovak Republic was 31% in mid-1995. The total balance is on a slight increase during the estimated period. In 1992, it amounted to 128 billion Czechoslovak Crowns (CZK). In 1993, it gradually grew by 6 billion Slovak Crowns (SKK), i.e. by 4,7%; in 1994, by SKK 10 billion, i.e. by 7,4%. In 1995, particularly in the 2nd half, SLSP had a progressive growth of its total balance. The end of 1995 saw its total balance amounting to SKK 162,5 billion which represents a growth of 13% as compared to the preceding year.

The SLSP's size and position on the capital market represents its 27,2% share in the total turn-over of trade operations concluded in the Bratislava Stock Exchange as well as its own stocks and securities which it has been administering for its clients. The SLSP provides its services and carries out banking operations particularly on the domestic market. However, there is a gradual growth of its share in international banking operations. It has built up an effective network of relations with 600 corresponding banks in more than 60 countries. Its connection to SWIFT in 1993 enabled the fast implementation of smooth and documentary payments through 37 Nostro accounts which were opened in 19 countries in 34 banks. It keeps 73 Loro accounts for 22 foreign banks.

In 1993, the SLSP became member of the VISA association and was actively involved in the world system of accepting VISA cards. At present, it provides 6 types of payment cards depending on the accounts's character (giro card, VISA Classic, VISA Domestic, VISA Business, EURO<26 and the Students' Card).

The SLSP has been operating on the financial and capital markets since 1991. Its highly professional services include those in the area of investment banking system, e.g. securities trading, exchange of primary emissions, be it shares or debentures; export/import financing, hard currency dealing, B/E trading as well as the provision of business consulting and information services.

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Slovakia

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SLOVENSKÁ SPORITEĽNA

TECHNOLOGY

Chemists turn over a new leaf

Any new weapon in the war against cancer is welcome. However, once a potential anti-cancer drug is discovered it then has to be made in sufficient quantities.

This is not always so easy, as shown by the problems developing commercially useful quantities of paclitaxel, a potent anti-cancer drug.

First isolated in 1967, paclitaxel received little attention until the late 1970s when it was discovered that it had a novel mode of action against tumour cells. It "froze" the formation of microtubules, "spindles" which guide the chromosomes during cell division.

Work in the 1980s confirmed the drug's promise and Bristol Myers Squibb, whose trade name for the drug is Taxol, acquired the rights to it from the US National Cancer Institute. It was in 1989 that the production difficulties emerged. The main natural source for paclitaxel is the bark of the Pacific yew tree, but it took 13,500kg of bark to produce just 1kg of the drug. It was estimated that to produce the 200kg to 300kg required each year would wipe out the Pacific yew – listed among the world's endangered conifer species – within five years.

David Newman, a chemist at the institute's natural products branch, says: "It caused a major problem but not a panic. The treatment for one woman [suffering from] ovarian cancer required six 6in-diameter yew trees."

Amid protests from environmentalists, a worldwide search began for an alternative way to produce paclitaxel in commercial quantities. Synthesising the drug chemically was commercially unfeasible, as it contains 112 atoms and the process would require some 30 separate steps. So an effort was made to look at close relatives of the tree for paclitaxel and its precursors.

Eventually, a compound called baccatin-3 was isolated from the needles of the common ornamental yew. This was then used in a semi-synthetic route which had been developed by Robert Holton of Florida State University.

The great advantage of this method was that the needles could be harvested each year without killing any trees. In 1993 Bristol Myers Squibb announced that it would no longer need to harvest Pacific yews, and the new process remains the main method by which the drug is produced.

But now a team of researchers at Mitsui Petrochemical Industries in Japan has come up with a different approach. Yukihito Yukimune and colleagues recently announced they had produced significant quantities of paclitaxel by biosynthesis or plant cell culture. The amounts produced, tens of grams in two weeks at their laboratory, may not sound much but it could be a landmark in this problematic compound.

Biosynthesis by plant cell culture – similar to the fermentation method used to produce most common antibiotics – has long been considered as an attractive method of producing paclitaxel. However, plant cell culture has so far found little commercial application and in contrast to bacterial cultures the plant cells grow much more slowly and are much less robust.

The team at Mitsui managed to increase yields of paclitaxel by about six times over previous plant cell culture efforts by adding methyl jasmonate, which stimulates production of the drug.

The process is still a long way from achieving commercial scale. Plant cell culture works in a liquid fermentation "broth" and the Mitsui team managed to operate the technique in a volume of 200 litres. Any commercial process would require production at volumes in the range of 100,000 litres.

The story of paclitaxel has not ended yet. The drug is used in breast and ovarian cancers, and there are promising results in trials for lung cancer and melanoma. Chemists will be looking to "improve" the paclitaxel molecule and biotechnology could play a role in this. But at least scarcity is not the problem.

William Macdonald

John Griffiths on bold but persuasive claims for one 21st century car

Mean, lean and green

Ben Rosen is finding out – at the cost of some personal embarrassment – that when it comes to development glitches, cars can be more than a match for computers.

Undeterred by two minor fiascos with a prototype vehicle last month and in August, the chairman and founder of Compaq, the computer company which outsmarted IBM to become the world's biggest personal computer provider, is preparing to dip into his own pockets for up to another $15m (£9.6m). He hopes that will bring to fruition his brother Harold's, and now his own, dream of a revolutionary new power unit for cars.

The quest has already cost Rosen more than $13m personally. He insists he will persevere until the new drive system, combining a small gas turbine engine with an energy-storing flywheel – and claimed to provide high performance with almost negligible exhaust emissions – has become reality.

The fiascos occurred when Rosen and his colleagues in Rosen Motors, a company Ben Rosen founded three years ago to progress the project, twice invited the media to watch a Saturn saloon fitted with the system put through its paces.

The car never ran. On the first occasion the turbine would not fire up – the result of a fuel-pump failure. On the next, more seriously, an electronics bug overloaded the flywheel bearings, causing them to fail. "A lot of other niggling little things went wrong," acknowledges Rosen. "Basically, we tried to run it prematurely." The consoling aspect, he insists, is that nothing went wrong "that was of concern to us in relation to the fundamental concept".

Rosen and brother Harold, Rosen Motors' president and chief executive, say they have already demonstrated the power unit repeatedly and successfully on a static dynamometer and that once again "we are real close to running the first road tests with the Saturn." Already, the group has developed a more advanced version, which is expected to start trials about the middle of next year in a Mercedes-Benz E-Class.

Ben Rosen, 63, and his 70-year-old brother, who led development of the first geostationary communications satellite, are anything but conservative in their claims for the power unit's capabilities. They insist that cars powered by it will:

- Have fuel economy of up to 80 miles per gallon.
- Be capable of accelerating from standstill to 60 mph in about seven seconds, or faster than most sports cars.
- Possess mechanical simplicity, with only a handful of moving parts and almost total freedom from maintenance.
- Generate no more air pollution than battery-powered cars recharged by fossil fuel power stations – the Rosens' main motivation for pursuing the project.

"Put simply, we have the key to the 21st century automobile," maintains Rosen. "This mean, lean and green powertrain is the first major shift in automobile technology since the invention of the internal combustion engine."

Statements like that have typically been made by impecunious inventors seeking industry finance throughout the century-long history of the motor industry. Usually, they have sent justifiably sceptical motor industry executives scuttling for cover.

The sheer stature and technical and commercial track record of the Rosens puts Rosen Motors in a different category. Ben Rosen was listed as one of the few people to have "changed the world" by Computerworld magazine four years ago; Harold is popularly known as the "father" of the geostationary satellite, which has made possible instant global communications.

Even so, "the automakers are understandably being very cautious", says Rosen. "It is very much a case of 'come and see us when you've done it'. There are a lot of sceptics. It's a bit like pushing spaghetti to make things happen."

Much of the scepticism centres on the flywheel part of the system and safety issues – such as the spectre of a 20lb flywheel breaking away from its mountings while spinning at 55,000 rpm. An effective containment system, Rosen acknowledges, is perhaps the biggest challenge, which now employs 60 people within Rosen Motors itself and a similar number in its related turbine company.

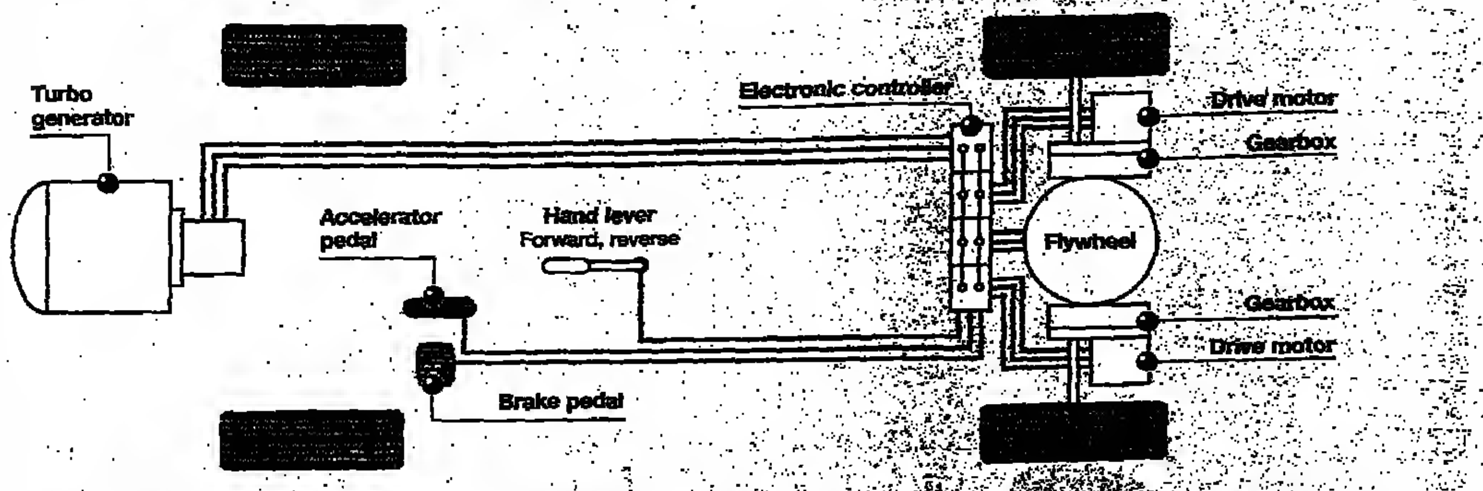
The Rosens' commitment is such that they have another ambitious plan to get the spaghetti moving: to produce in 1998 a limited run of 1,000 luxury cars – possibly Mercedes' SL model – fitted with the system.

They would have to be sold at what Ben Rosen describes as an "elevated" price. However, he says, the high costs of this project could be offset by revenue from selling stationary electricity-generating systems based on the turbine technology.

This has been made possible by the purchase of the Tarzana, California-based company which has developed the turbine generators through Ben Rosen's own venture-capital company, Sevin Rosen, in partnership with several other investors. Rosen is prepared to fund the project through to the end of 1997, after which further outside investors will be sought if necessary. What Rosen will not do is apply for any of the extensive US state or federal grants that have been made available to the motor and related industries to come up with battery-powered vehicles or other solutions to California's chronic air quality problems.

"My main reason is philosophical," stresses Rosen. "It is an inappropriate use of taxpayers' funds to provide corporate welfare for companies which have billions and should be able to fund programmes on their own."

The Rosen drivetrain: how it works



The drive system comprises a small gas turbine mounted under the bonnet in place of the conventional engine. The turbine develops 60 horsepower. It does not drive the wheels directly but generates electricity to power electric traction motors at each rear wheel.

On its own, the turbine would provide enough power to sustain a cruising speed of between 60mph and 70mph on the level, but mediocre acceleration from standstill and relatively poor stop-start ability. However, some of the turbine's electrical energy is also used to rotate a flywheel contained in a reinforced housing between the drive motors.

A flywheel acts both as a store for energy and - when coupled with a generator - an energy dispenser. But this is no ordinary flywheel. With a titanium hub and carbon fibre composite body, it has a diameter of 15in, weighs about 20lb and spins at up to 55,000rpm in a vacuum. It is intended that once set spinning on its vertical axis [illegible] fully developed vehicle it will retain enough energy to get the car rolling [illegible] has been parked for up to six weeks.

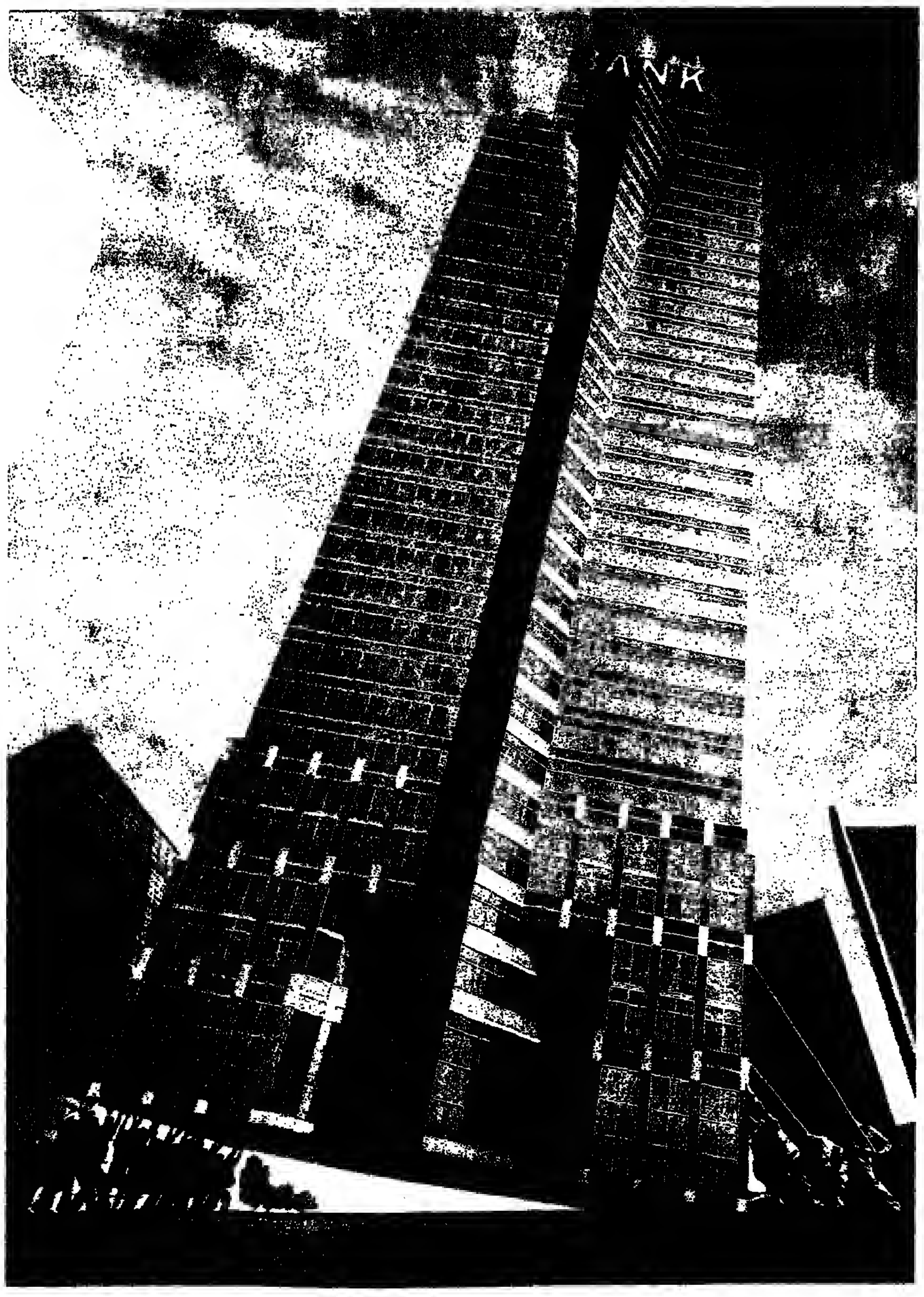
Additional electrical energy is [illegible] flywheel through "regenerative braking" [illegible] established and widely used principle [illegible] capturing in electrical form the energy normally lost through braking.

At its maximum, the flywheel is storing the electrical energy equivalent of 660 horsepower.

It is when the driver puts the accelerator down hard that the "nerve centre" of the Rosen drivetrain comes into play.

- When maximum power is needed, it switches the flywheel to generator mode, providing an electrical energy surge equivalent to 600 brake horsepower to the electric traction motors. With the 60 [illegible] that means a [illegible] shown in the "back" [illegible] can provide perpetual motion [illegible] would draw energy from [illegible] would need to be replaced [illegible] and stop performance. But, insists Rosen, "there is more than enough energy in there to satisfy any known driving profile."

- Nor is the system "all or nothing" - the electronic controller can feed energy from both turbine and flywheel to the rear wheels in variable amounts depending on accelerator position, in similar manner to a conventional car.



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Recital

Taste of Gerhard

Although there has been no major festival featuring his music since the London Sinfonietta's Schoenberg/Gerhard series in 1973, the Anglo-Spanish composer Roberto Gerhard has at least managed to keep up a sporadic presence in this the centenary year of his birth.

We can now hear a sizeable proportion of his output on CD and have even been able to experience a few of his major works in the concert hall recently, not to mention his opera *The Duenna*, due out on CD next year from Chandos following its revival by Opera North last year. Even so, justice has hardly been done to this major master, whose late works in particular are as inventive, innovative and rewarding as any from this half of the century.

So it was disappointing that a recital at the Purcell Room last Thursday by the Kreutzer Quartet, due to feature Gerhard's two string quartets, was unavoidably cancelled owing to the injury of the group's cellist. But its replacement by a hastily assembled programme by the Kreutzer's leader, Peter Sheppard, and the pianist Aaron Shorr did at least provide a well-thought-through substitute of major 20th-century violin and piano works, and offered some compensation for Gerhardists in the form of the master's eloquently wrought *Chaconne* for solo violin, which Sheppard despatched with a panache which belied its superhuman technical demands.

The inclusion of pieces by the other composers due to have featured at the quartet concert, Schoenberg – who was Gerhard's teacher – and Hugh Wood – who has acknowledged Gerhard's (and Schoenberg's) influence on his own music – also helped to capture something of the spirit of the advertised recital.

H Wood's recent *Poem*, an impassioned song without words, seemed to owe most to Gerhard's Spanish-serial works of the 1950s, Schoenberg's late *Phantasie* was remarkably prescient of the mature Gerhard in its single movement and elusive thematic working, even if its combative surface is temperamentally the obverse of the scintillating euphoria of his pupil's most characteristic inventions.

That joy repeatedly surfaces in Debussy's late Sonata which, together with Satie's *Choses vues à droite et à gauche*, reminded us of Gerhard's early French leanings.

Framing the whole recital were two pre-war classics, full-blooded homages to their composers' respective folk traditions, which Sheppard and Shorr attacked with typical empathy and virtuosity, responding as eloquently to the rapid mood-swings of Janáček's *Sonata* as to the exuberant melange of Ives's *Sonata* No.2.

It would be good to bear these players do Gerhard's late masterpiece for the medium, *Gemini*.

Antony Bye

Concert/**Stephen Pettitt**

Jansons conducts a memorable comeback

Earlier this year the world of classical music was shocked in its quiet way when it was announced that the Latvian conductor Mariss Jansons had fallen victim to a heart attack and would be cancelling all further engagements. And as so often, it happened to an apparently unlikely person.

Although his father, the conductor Arvid Jansons, also suffered from heart problems, Mariss, broad-shouldered and strong-jawed, appeared to be an unassailably durable figure, though one noticed that he no longer cut the slim, dashing figure that he used to. Without warning, a conductor who was always the critical flavour of the month was not even one of the flavours on offer.

Now, after a six-month convalescence, he is on his way back, albeit little by little, and flatteringly he chose the BBC National Orchestra of Wales above those other fine orchestras with which he has more lately been intimately associated – the Oslo and St Petersburg Philharmonics – to show us that he has lost none of his interpretative gifts.

Conducting in the sparsely attended and testingly dry acoustics of Sheffield City Hall, he gave a majestic and memorable reading of Bruckner's Seventh Symphony.

There were long pauses between movements – perhaps a musical rather than a physical decision – but from a distance a newly slimmed Jansons looked healthy enough.

His performance utterly transcended the technical blips like the patches of acrawny tone, unmercifully exposed, that now and again came from the upper strings.

In any case, there is nothing wrong with BBCNOW's ripe woodwind and rounded brass sections (the latter considerably expanded in this work), nor with the entire orchestra's ability to pull together and play as one. They are certainly a long way from being "the world's worst orchestra", as a colleague rather ill-advisedly described them elsewhere not long ago.

What characterised the reading above all, and what was evident in the finely coloured, gradual unfolding of the first movement, was Jansons's beautifully measured, unhurried phrasing, which ideally blended the intuitive with the calculated.

There was microscopic attention to internal balance and the finest tuning of the music's characteristic layered dynamics. And was it just fancy that the conductor's brush with death had left him with an ever so slightly slightly deeper, riper insight than before? This is, after all, a work that can be seen as a reflection upon death and transfiguration.

Since reactions in these circumstances can rarely be entirely objective it is impossible to say for certain. But it is possible to report that the Adagio, Bruckner's great outpouring in homage to Wagner, had an affecting sweep that intensified this music's already intense power, and that, just as in the preceding Scherzo, Jansons achieved what he did by allowing the music to be itself rather than through too much imposition from the outside.

By the close of the journey, after a finale judged to perfection, Bruckner's music had certainly achieved its purpose of elevating our senses to higher spiritual planes. It is wonderful to have Jansons back.

Narrow academy

William Packer on this year's short-list for the Turner Prize and the work of the Jerwood award winners

Today the work of the artists short-listed for this year's Turner Prize, worth £20,000 to tha winner, goes on show at tbe Tate, while last month saw the two Jerwood Prizes awarded, £30,000 for painting, and £15,000 for ceramics. These exercises, distinct in themselves, stand apart from the many other prize exhibitions in the calendar, not by virtue of their generosity but in respect of their short-lists.

They not only stoke up particular excitement about the result as an event, bnt also propose a more general importance. Whether it is justified is another matter.

This is tha Turner's problem, for with the authority of the Tate bahind it, and the name of England's greatest painter to enhance it, the inference is clear. And yet, having been thus set up, it is immediately qualified. "To a *British artist under 50* for an outstanding exhibition or other presentation of their (sic) work", runs the rubric.

Leaving aside the *ageist* incorrectness of the organisers, quite why the under-50s should be thus privileged has never been satisfactorily explained. Is it really only the work of the young that is interesting, radical, relevant, "cutting-edge"?

"The Turner Prize ... is raising awareness of new art, and allowing younger, fresher voices into the Tate" burbles Janey Walker of Channel 4, the sponsors, though the rules have nothing of any such purpose or prescription. The reality is that the last thing any Turner jury is prepared to do is to pick for its short-list any artist not of the narrow academy of the current avant-garde.

So who are this year's fresh outstanding voices? Douglas Cordon (29), he of the '24 hour Psycho' shown at the Hayward earlier this year, works with film and video. He now shows a work based upon a pre-war 'Dr Jekyll and Mr Hyde', using two large screens, again slowing the speed aomewhat and making comparative cross-play between positive and negative, reversal and inversion.

Gary Hume (34) is a painter wbo *makes ham-fistedness a salient* virtue. He uses thick house-paint in bright colours and broad flat doses, simplifying his imagery to near-invisibility – a pair of feet, a hand, an archly ironical brown and orange snowman. His green 'Whistler', in which we can just make ont two fingers in a mouth, "plays on references to the celebrated artist of the same name."

Simon Patterson (29) shows a map of tbe London Underground on which the stations are named after different categories of people, saints, artists, footballers and so forth. He has also covered an entire wall with a system of cosmic orbits, each assigned to an ideal world or state – Xanadu, Shangri La, Cloud 9 and so on. In the centre of the room are three sails on steel frames, each sporting the name of a writer, Lawrence Sterne, Currer Bell and Raymond Chandler. He "enjoys the relationship between language and objects ... making connections ... discovering their literal and metaphysical potential ..."

Craigie Horsfield (46) is a photographer whose subject is the world about him, in this instance a set of portraits, a nude, a dance ball, a view across Barcelona's roofs at night. He leaves his negatives for years before working on them, bringing the past as it were into the present. He prints them up inordinately enlarged, which inevitably lends a portentous presence to what might otherwise be unremarkable. The winner will be daclared on November 28. *Messieurs, mesdames, foites vos jeux.*

By coincidence, though the Jerwood prize sbows are now over, the two winners bave shows in London. John Hubbard (65), at Purdy/Hicks, is as fine a painter from the landscape as we have, and one, *pace* the Turner, clearly changing, developing and maturing all the time, and in the most engaged and radical way. His work lately has become more direct, less abstracted in its response, all clouds and storms and waves breaking on the shore. The vertiginous views above the sands of an estuary, spread out like a map far below, are subtle yet adventurous, his best yet.

Philip Eglin (37), at Contemporary Applied Arts, stands in a tradition of figurativa ceramic that goes back variously through Staffordshire and Chelsea all the way to the Han and Tang dynasties, yet remains entirely of the present. He demonstrates, moreover, along with Claire Curneen who shares the gallery, that much of the most adventurous work with the modelled figure is being done in the field of ceramic. His work is properly sculpture by another name, beautifully modelled with a relaxed assurance that recalls Dalou as much as anyone, for all the activity of the surface decoration. These are remarkable and beautiful things.

The Turner Prize Exhibition: Tate Gallery, Millbank SW1, until January 12, sponsored by Channel 4. John Hubbard – Scottish Paintings: Purdy/Hicks, 65 Hopton Street SE1. Philip Eglin: Contemporary Applied Arts, 2 Percy Street W1, until November 2.

'Seated Nude' by Jerwood prize winner Philip Eglin

Theatre/**Alastair Macaulay**

Tension in 'A Doll's House'

Intensely exciting though it is to experience Ibsen's 1879 play *A Doll's House* for the first time, it is more exciting yet to return to it. Nora the doll-wife will learn to insist that her first duty is not to her husband and children but to herself as a human being. You think you know what will happen – and yet he has you on the edge of your seat. And, when it does happen, it takes you by surprise.

The riveting and central feature of this staging is the performance of Janet McTeer as Nora. Seldom offstage, in a play lasting over three hours, she carries everything with her. She has warmth, variety, immediacy, spontaneity; I have never seen her act so well. Daringly, she employs such an array of still-girlish laughter, dismissive wrist-flipping gestures (as if to say "I won't think abont it until tomorrow"), and nervous gush that she makes Nora half-infectious, half-infuriating: which is, surely, her intention. All of these thoughtless ways and manners she shows are spiritually diminutive; they are part of the immature skin she starts to shed at the end of the play. And, as she finds berself in one dilemma after another, she, wonderfully, sbuts and then opens her eyes, opens them wide; so that, as the final act proceeds, you truly feel the scales falling from her eyes.

But it seems wrong to analyse her performance in terms of individual features. Indeed, at two or three points, I think she miscalculates or misfires. (In particular, she overdoes the overwrought shrieks in her not-good-enough tarantella. In 1879, by the way, the original Nora, had begun her stage career as a Bournonville-trained ballerina in Copenhagen, and would have danced many tarantellas in such ballets as *Napoli*.) But the overriding virtne of McTeer's performance is its unhesitating immediacy. This Nora is all self-contradictions. When Nils Krogstad leaves her, having mada his bombshell announcement that he will not be dragged to the gutter without taking her with him, she is left alone. She stands quite still then she slowly sits down and in the next moment she says "Rubbish!" and laughs it off; or, rather, she tries laughing it off for the soliloquy that follows is all vacillation.

Most thrilling of all is her pacing of the final scene with her husband. When she comes to the play's most famous line, the great feminist credo "I believe that I am a buman being!", she has been backed by him, almost literally, up against a wall, and it comes from her as a hoarse, almost voiceless, scream, not loud; then, through the marvellous shock that follows that climax, she adds, with less tension and more voice, "Or at least I will try to become one." She is still weak, and knows it, and her humility and realism are extremely moving. Only later does she achieve anger (feminist anger, too).

When he says "No man sacrifices his integrity for the person he loves", sbe shouts back "Hundreds and thousands of women have!" with sudden, rasping rage, from the chest.

McTeer wears her hair flowing fully down to her waist throughout, and her slender figure has seldom appeared to better advantage. She is a tall woman, but she keeps her body language and voice always in minor, domestic scale. Owen Teale, as her husband, is tall and broad enough to make ber seem frail, and he conveys in every way the assurance she lacks. The way he reaches the verge of marital rape, earlier in the last act, is very finely judged. But fine judgment is in evidence almost everywbere bere. Witness the casting of Gabrielle Lloyd as Kristine Lande, John Carlisle as Dr Rank, and Peter Gowen as Krogstad: roles all played in the round, revealing themselves and surprising us from ona minute to the next.

For this, every praise to Anthony Page's direction. I query several decisions made by Frank McGuinness, author of the new English version used here, but the text plays well.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-6718345
● Koninklijk Concertgebouworkest: with conductor John Eliot Gardiner and mezzo-soprano Anne Sofie von Otter perform works by Weber, Mahler and Schubert; 8.15pm; *Oct 31*

EXHIBITION
Stedelijk Museum
Tel: 31-20-5732911
● *The Unbelievable Truth*: exhibition of works by young artists living in Amsterdam and Glasgow. Included in the exhibition are works by Fanni Niemi-Junkola, A.P. Komen & Karen Murphy, David Shrigley, Job Koelewijn and John Shankie; to Dec 8

ANTWERP

DANCE
De Singel
Tel: 32-3-2483800
● Le cri du caméléon: a choreography by *Josef Nadj to* music by Tickmayer, performed by the Compagnie Anomalie and the Centre Chorégraphique Nationale d'Orléans. Soloists *include* Etienne Arlettaz, Arnoud Clavet and Vincent Gomez; 8pm; Oct 29, 30

BARCELONA

CONCERT
Palau de la Música Catalana
Tel: 34-3-2681000
● Orchestre de Chambre de Lausanne: with conductor Jesus *López Cobos*, harpist Chantal Mathieu, harpsichordist Christiane Jaccottet and pianist Brigitte Meyer perform works by Fauré, Martin and Bizet; 9pm; Oct 31

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Missa Solemnis in D major, Op.123: by Beethoven. *Performed* by the Philharmonisches *Orchester* Köslin with conductor Gert Sell, soprano Daniela Gericke, alto Saskia Klumpp, tenor Krzysztof Szmyt, bass Holger Gerberding, organ player *Jürgen Lindner* and the Berliner Oratorienchor; 8pm; Oct 30

CHICAGO

THEATRE
The Goodman Theatre
Tel: 1-312-443-3800
● Seeking the Genesis: by Corthron. Directed by Walter Dallas. *The cast includes* Ora Jones, Demetrius D.Thornton, Raphael Chestang, and Tim *Edward Rhoze*; Tue-Thu, Sun 7.30pm, Fri, Sat 8pm, Sat, Sun also 2pm; to Nov 17

GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Orchestra of St John's Smith Square: with conductor John Lubbock and pianist André Watts *perform works by* Rossini, Beethoven, Delius and Schubert; 8.30pm; Oct 31

LONDON

CONCERT
Barbican Hall
Tel: 44-171-6384141
● London Symphony Orchestra: with conductor Riccardo Chailly perform works by *Mozart and* Britten; 7.30pm; Oct 30
Purcell Room
Tel: 44-171-9604242
● Gould Piano Trio: perform works by *Haydn and* Dvorák; 1.05pm; Oct 31

MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Orchestre de Chambre de Lausanne: with conductor Jesús *López Cobos* and soprano Maria José Montiel perform works by Haydn, Mozart and Weber; 7.30pm; Oct 30

MUNICH

OPERA
Nationaltheater
Tel: 49-89-21851920
● Ariadne auf Naxos: by R. Strauss. Conducted by Sir Colin Davis and performed by the *Bayerische Staatsoper. Soloists* include Susan Graham, Christiane Schäfer and Hermann Prey; 7.30pm; Oct 30; Nov 2

NEW YORK

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Carmen: by Bizet. Conducted by *James Levine*, *performed* by the Metropolitan Opera. Soloists include Angela Gheorghiu, Placido Domingo and Sergei Leiferkus; 7pm; Oct 31

PARIS

EXHIBITION
Musée d'Orsay
Tel: 33-1 40 49 48 14
● L'Origine du Monde – autour d'un chef d'oeuvre de Courbet: exhibition seeking to retrace the history of Gustave Courbet's painting "L'Origine du Monde". *Other major works included in the* exhibition are Ingres' "Le Bain Turc" from the collection of the Musée du Louvre, "Le Sommeil" from the collection of the Musée du Petit Palais, and Courbet's "Le Source de la Loue" from the collection of the Albright Knox Art Gallery in Buffalo; to Jan 5

SAN FRANCISCO

EXHIBITION
SFMOMA – Museum of Modern Art Tel: 1-415-357-4000
● Katharina Fritsch: this is the first solo museum survey of the work of this young German *sculptor, who represented* Germany in the summer 1995 Venice Biennale. From Oct 31 to Mar 11

STOCKHOLM

CONCERT
Stockholms Konserthuset
Tel: 46-8-7860200
● Filharmonikerna: with conductor Andrew Davis and cellist Frans Helmerson perform works by Janácek and Dvorák; 7.30pm; Oct 30

STRASBOURG

OPERA
Théâtre Municipal de Strasbourg – Opéra du Rhin
Tel: 33-88 75 48 00
● *Owen Wingrave*: by Britten. Conducted by Claude Schnitzler and performed by the Orchestre Symphonique de Mulhouse. Soloists include Christian Tréguier, Jean-Francis Monsvoisin and Dominique Gless; 8pm; Oct 30

VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Ildiko Raimondi: recital by the soprano, accompanied by pianist David Lutz. The programme includes works by Schubert; 7.30pm; Oct 30

EXHIBITION
Palais Harrach
Tel: 43-1-52524
● The Message of Music – 1000 Years of Music in Austria: exhibition focusing on music composed or performed in Austria since the early Middla Ages. The exhibits include autographs, manuscripts, instruments, and other objects; to Apr 1

WASHINGTON

CONCERT
Concert Hall
Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Barry Jekowsky, pianist Awadagin Pratt and mezzo-soprano Virginia Alonso-Tokarz perform works by Theofanidis, Falla and Tchaikovsky; 8.30pm; Oct 31

ZURICH

EXHIBITION
Museum für Gestaltung Zürich
Tel: 41-1-446 2211
● Universal: this exhibition of objects, posters, videos, documents and other items focuses on the growing desire to unite as many functions as possible into one design; from Oct 30 to Jan 5

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Financial Times Business Tonight

Martin Wolf

An unhealthy trade-off

Little discipline has been imposed on the growing number of preferential trade agreements which can cause more economic harm than good

Names matter. Who but a staunch protectionist could have anything against a "free trade agreement"? "Preferential trade agreements" sound less benign, while "discriminatory trade agreements", yet another name for the same thing, sound nasty. They can indeed be nasty – and need to be controlled.

Between 1947 and 1992, 85 preferential trade agreements were notified to the General Agreement on Tariffs and Trade (Gatt), predecessor of the World Trade Organisation (WTO). Since 1992 another 60 have been added. Altogether, 80 of the 145 are in force.

All but three WTO members – Japan, Korea and Hong Kong – are members of one, or more, preferential trade arrangement. Some of the latter are of little global significance – that between Slovakia and Slovenia, for example. But some, such as Mercosur in south America and Asean in south-east Asia, include big developing countries. Those within Europe and north America embrace the globe's foremost trading powers.

Notwithstanding their importance, virtually no discipline has been imposed on the growth of these arrangements. While only one has been found in full conformity with the Gatt, none has ever been rejected. Effectively, these arrangements operate in limbo.

Meanwhile, alongside the preferential arrangements, strictly defined, have come a number of still broader initiatives, such as the Asia-Pacific Economic Co-operation forum (Apec) and, more speculatively, the *Transatlantic Free Trade Arrangement* (Tafta). Since these potentially cover most trade, they threaten the development of mutually inconsistent rules and imperil the WTO's relevance as a rule-making forum.

Proponents argue that:

- Rules can more easily be negotiated in a closed group of like-minded countries than in the unwieldy WTO.
- Where global liberalisation is infeasible, regional trade agreements are the best alternative.
- Regional trade agreements stimulate global liberalisation.
- Regional trade liberalisation is beneficial because proximity determines whether countries are natural partners.
- Preferential trade liberalisation between "natural" trading partners is economically beneficial.

None of these arguments is compelling.

First, even if rules could be agreed more easily among like-minded countries, there is no reason why these countries should be neighbours. Nor is there any reason why the membership of any such group should be limited in advance. It would be far better to open discussions intended to develop rules in areas not covered by the WTO to any country prepared to join.

Second, the argument that global trade liberalisation is infeasible is hardly credible after successful completion of the Uruguay Round of multilateral trade negotiations. Nor do the US and EU need to go outside the WTO to pursue liberalisation. On the contrary, they have themselves been among the principal obstacles to liberalisation within it.

Third, preferential trading arrangements may have stimulated global liberalisation. But there is no inevitability about this. In fact, negotiating preferential agreements raises obstacles to further liberalisation, by diverting time and effort and by creating vested interests in their continuation.

Fourth, proximity does not determine whether a country is a "natural" trading partner. Other things being equal, a country will trade more with a neighbour than half a world away. But a country will do more trade with a big, but distant, country than with a small neighbour: in 1993 Chile sent 6 per cent of its exports to Argentina and 18 per cent to the US.

Finally, even with "natural" trading partners – by which is meant countries with which bilateral trade is large – preferential trade can be harmful. The point is explained in a rigorous analysis by Professors Jagdish Bhagwati of Columbia University and Arvind Panagariya of the University of Maryland.* If two countries already trade a great deal with each other, room for beneficial additional trade may be small. But if trade is diverted towards a high-cost partner, away from lower-cost suppliers elsewhere, the losses may be large. One source of such losses would be the transfer of the tariff revenue on imports from the rest of the world to uncompetitive producers in partner countries.

As if to demonstrate the truth of these propositions, a draft report by Mr Alexander Yeats of the World Bank raises doubts about the benefits of Mercosur.** Although Mercosur has led to a rapid rise in trade among its partners, their growth may not generate many economic benefits.

As Mr Yeats demonstrates (and the chart indicates) the most rapid increase has been in transport equipment and machinery. These are capital-intensive goods, in which members of Mercosur have shown little global competitiveness. In fact, says Mr Yeats, the higher the rate of growth of internal trade in a category the worse its performance on world markets has been.

Why has this happened? The answer is that for some uncompetitive products Mercosur retains high-tariff and non-tariff protection. Importing countries are paying high prices for imports of these goods from their partners – a recipe for mutual impoverishment.

The way to lower these costs is to eliminate the distortion, by moving towards external liberalisation as rapidly as possible. This is just as true for other arrangements, such as the EU and NAFTA. Similarly, the simplest way to minimise the potential problem of mutually inconsistent rules is to negotiate them at a global level.

The conclusions are simple enough:

- *Discriminatory* (or preferential) liberalisation is not necessarily beneficial for participants, let alone the rest of the world.
- Geographical proximity need not be the right starting point for preferential liberalisation.
- The best way to develop consistent and predictable rules for a liberal global economy is unlikely to be through discussions in groupings that are closed to outside members.

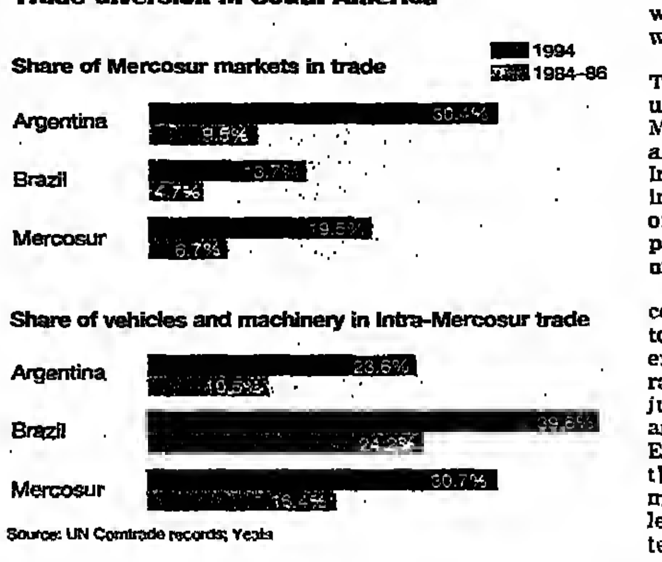
Discrimination within exclusive sub-groups cannot provide an enduring basis for a world-wide order. It is bound to generate friction and create inconsistency. Precisely for these reasons, *non-discrimination and multilateral negotiation* were the founding principles of the Gatt. They were seen as ways to protect the weak from the bullying of the strong; to promote economically rational trade, instead of arbitrary favours; and to put coherent and predictable rules in place of a patchwork of mutually inconsistent and complex trading regimes.

The uncontrolled march towards regionalism threatens all this. At the least, WTO disciplines on regional initiatives must be given bite. Ideally, the thrust towards regional liberalisation and rule-making needs to be shifted *firmly* into global channels.

* Preferential Trading Areas and Multilateralism – Strangers, Friends, or Foes? *in Bhagwati and Panagariya (eds). The Economics of Preferential Trade Agreements (American Enterprise Institute, Washington DC, 1996).*

** Does Mercosur's Trade Performance Justify Concerns about the Effects of Regional Trade Arrangements? Yes! *(World Bank, mimeo)*

Trade diversion in South America



Source: UN Comtrade records; Yeats

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Mr Issing not even growling

From Ms Alison Cottrell.

Sir, Would that the tone of your editorial ("Mr Issing barks", October 25) – that Germany is recovering to a degree that puts the interest rate risk on the upside – were true, at least for the sake of its 10.4 per cent unemployed. While the evidence you present is undoubtedly correct, it is, however, misleading.

True, output is now 6.4 per cent above its February level; that is what happens when you compare a *summer* month with a month so cold that virtually nothing could be produced or built. On a nine- or 12-month comparison, output is 2.4 per cent higher. True, gross domestic product grew at a 2 per cent pace in the *1996 first half* (and it is a sad reflection on the extent to which we have become accustomed to a near-recessionary Europe, that this seems startling). But this recovery remains export- rather than domestically driven, and the recent debacle over next year's tax policy will have done little to encourage confidence at home.

True, M3 rose at an 8.4 per cent rate to September, on the Bundesbank's idiosyncratic annualised measure. But this is par for the course for a central bank which has missed its targets as often as it has hit them, and a strong "headline" conceals some very weak bank lending numbers.

And, true, the D-Mark has fallen 6 per cent from its March 1995 peak – the rapid ascent to which proved a nightmare for both central bank and economy, and which took more than a year of skilful policy and speech-writing to correct. Compared with January 1995, the D-Mark is an insignificant 0.2 per cent lower.

"If it were not for very low consumer price inflation, the Bundesbank might even be thinking of tightening". This is a very big "if"; and while the statement is, again, undeniably correct, it is scarcely relevant to Germany at the present time. In a fragile, low-inflation recovery, the Bundesbank will continue to pursue a policy of stability. Interest rates have not been cut in 1996 to kick-start growth, but to prevent the very gradual recovery already in place from being knee-capped by D-Mark appreciation. A stable monetary environment does not necessarily imply rigid interest rates.

Mr Issing's teeth are, indeed, very sharp. But, contrary to the one factually questionable statement in your editorial, the Bundesbank's most professional watchdog is not "just barking". He has not even felt the need to growl: when he does, the markets will not need to look to newspapers to discover they have been savaged.

Alison Cottrell,
executive director,
PaineWebber International (UK),
1 Finsbury Avenue,
London EC2M 2PA, UK

Little confidence in Czech stock market

From Mr Markus Winkler.

Sir, I noted Vincent Boland's understated observation "Mr Klaus rarely reacts to the sentiments of foreign investors" in his article on the Czech banking crisis ("Prime minister hails interest of foreign investor", October 23). This comment fails to convey Mr Vaclav Klaus's disdain for protecting minority shareholders' interests. I know Mr Boland was present at an election rally earlier this year when a Czech shareholder asked Mr Klaus what he proposed to do about insider dealing on the Czech stock market. In dismissing the question, Mr Klaus replied: "Minority shareholder rights are the flavour of the month!"

The Klaus government has a long way to go to convince foreign investors to return to the IPB Bank-dominated stock market, rife with insider deals. A good start would be to announce public support for an independent Securities and Exchange Commission and actually to create one.

Markus Winkler,
Wernerstrasse 14,
8038 Zurich,
Switzerland

Women already spotted Republican flaws

From Ms Lousewies van der Laan.

Sir, Michael Prowse ("Politics of gender", October 28) hopes that if "American conservatives argued their case more adroitly, they just might win back more women voters". He misses the point. It is not that the Republicans do not argue their case well; it is that their policies are flawed. And perhaps women have been a bit more adroit in spotting this.

Lousewies van der Laan,
Patriottenstraat 6,
1000 Brussels,
Belgium

Staying the course benefits others

Last week we said that economic return is an important factor in our decision to enter or exit business in any nation. A corollary to this—particularly in countries where attention is focused on civil and political reforms—is our belief that great global companies can be a positive force for change. We know this from our experiences in Indonesia, Saudi Arabia and Nigeria.

Some 30 years ago, an abortive coup by the Indonesian Communist Party triggered bloodshed and months of turmoil. Operating in the country since the turn of the century, Mobil had a substantial presence as well as assets there. We had a choice to make. Fortunately, those who made the choice reasoned that it was better to ride out the storm than to cut and run.

Five years later, the Arun natural gas field was discovered in Sumatra. That discovery made Mobil one of the world's leading natural gas companies and gave us a major source of earnings for many years. Indonesia also gained from the discovery, becoming a leading exporter of natural gas liquids and a major economic force in the Asia-Pacific region. In the process, many of its citizens acquired skills that would lead to high-wage jobs and successful careers.

From the very beginning, Mobil and the government of Indonesia partnered for mutual benefit. The goal was to make Arun both a technical and commercial success. The project's viability was tied to Mobil's transferring technical know-how to the native work force. We established a technical school in northern Sumatra so Indonesians could acquire the skills needed for this monumental project. Many later went on to receive engineering degrees.

Our presence in Saudi Arabia brought similar benefits to its citizens. As a partner with Aramco, the state-owned oil company, Mobil trained many young Saudis as we helped develop the kingdom's resources. The curriculum included planning, market economics and organization along with on-the-job training in how large multinational oil companies operate. Many of the kingdom's present business leaders as well as several government officials came from Aramco's ranks.

Such experience keeps us optimistic about our impact in Nigeria. Through our joint venture with Nigerian National Petroleum Corporation, Mobil produces for Nigeria about 500,000 barrels a day of liquid hydrocarbons from several offshore fields. Our operations there date back to 1907. The investments that we and others are making to develop its energy resources are helping provide for the nation's future.

With nearly 1,600 employees—95 percent of them Nigerian nationals—our people range from clerks and secretaries to plant managers and directors. They enjoy employment conditions hard to match in any other industry, including training, development and advancement inside and outside Nigeria.

Mobil's impact and investments go far beyond the gates of our facilities. Because our affiliates in Nigeria are an integral part of their local communities and the nation as a whole, our people have developed programs that benefit many levels of society. These include projects in education, health, water supply, roads, electricity, sports, as well as the arts and culture.

Should American oil companies and other multinationals continue to invest heavily in developing countries—even trouble spots? The answer is yes. We will continue to explore for and develop the oil and gas supplies needed in the years ahead. Rather than cut and run from trouble spots, we will work to change them. By operating to the highest standards of business ethics, social responsibility and environmental safety, we believe Mobil can positively influence change.

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The FT Interview • **Helmut Maucher**

The threat from without

Nestlé's chairman tells Lionel Barber Europe must become more competitive

What does big business want from the present negotiations in the intergovernmental conference on the future of the European Union? According to Mr Helmut Maucher, chairman of Nestlé since 1990, a more effective, better-managed Union, one which looks outward at the competitive threat facing European business rather than inwards at the minutiae of its own organisation.

Mr Maucher, who comes from the German milk-producing region of Allgäu, is a committed European whose private obsession has long been competitiveness. But he also speaks for some of Europe's largest businesses: this year he became chairman of the European Round Table of Industrialists (ERT) which brings together 47 heads of companies such as British Petroleum, Bayer, Ericsson, Philips and Siemens.

In the mid-1980s, the ERT, led by Floris Maljers of Unilever and Carlo De Benedetti of Olivetti, helped Jacques Delors drive through the vision of a single European market of 350m consumers. Mr Maucher now warns that unless the 15 member states strengthen their capacity to act collectively, the Union is condemned to further political and economic decline in relation to the US and Asia.

"The mentality of Europe is in many ways the mentality of a dying society," he says during an interview at Nestlé's Frankfurt office. "We suffer from hedonism, narcissism and the unwillingness to take risks. We are moving from a society of commitments to a society of options."

A crusty industrialist of the old school, Mr Maucher, 68, has never been afraid of speaking his mind. He made his reputation in the 1970s defending Nestlé during the controversy over the promotion of baby-milk products in developing countries.

He can quote the recent European Commission report which showed the Union's share of exports to other countries in the Organisation for Economic Co-operation and Development has been falling since 1987. The report blamed a weak presence in growth markets, inadequate profit margins and unsatisfactory returns on investment.

Helmut Maucher: never afraid to speak his mind

Mr Maucher sees the EU's basic weakness as the failure of its institutions to keep pace with the liberalisation which has transformed the global economy over the past 10 years. Today, European companies can move capital and technology at will in a world with tremendous differences in labour costs. The short-term impact on a country's competitiveness and employment can be dramatic. "I don't agree with Jimmy Goldsmith, but some of his analysis is not bad," he says.

> The next step for the European Union is to define a 'core' set of common activities to which all members – including the UK – must subscribe

Mr Maucher praises efforts to reduce public deficits in the common drive to monetary union, notably in France, Italy and Spain. But he has no enthusiasm for the new "jobs chapter" proposed for the Union by Sweden.

Instead, more must be done to roll back the frontiers of the public sector and trim taxes. And pan-European energy, telecommunications and transport networks are needed to replace high-cost national systems.

His biggest gripe is over-regulation – which has, for example, driven genetic engineering out of Europe. The Germans, he says, are the champion meddlers. He has little patience with his countrymen's latest angst over mad cow disease, scoffing at the way in which "a one-in-a-billion risk" leads to the slaughter of hundreds of thousands of cattle.

Mr Maucher supports the EU's slow process of transferring sovereignty from nation states to collective decision-making institutions in Brussels. He believes the Union, through the European Commission, should have a strong voice on all aspects of external economic relations, including trade in services, investment and the protection of intellectual property.

Though a late convert to economic and monetary union, Mr Maucher sees the single currency as essential to deepening integration. The future independent European central bank will have exclusive responsibility for monetary policy, leading to fiscal harmonisation among members of the euro zone.

He believes it makes no sense, on practical or political grounds, to transfer education and health policy to Brussels. And powers in foreign policy and defence will continue to be shared between the EU and national parliaments.

But Mr Maucher believes the next step for the Union is to define a "core" set of common activities to which all members – including the semi-detached British – must subscribe. These should be: the free flow of goods, people, capital and services; a common foreign and defence policy, streamlined decision-making with more majority voting; and a common immigration policy.

He admires the post-Thatcher UK economy with its flexible labour markets and he is no fan of the EU's Social Chapter which seeks to establish minimum standards in social and labour policy. But like a growing number of Europeans, Mr Maucher has become impatient with the British who, he suggests, want the benefits of membership without the obligations. The EU will have to be "brutal" – a favourite Maucher expression – with those who refuse to sign up.

Without closer European integration, he believes the continent's companies will be doomed to play second fiddle in world markets. Mr Maucher's biggest fear is being unable to negotiate on equal terms with the Americans on matters of mutual economic interest such as accounting standards or tax where the difference between success and failure can be measured in tens of millions of dollars.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday October 29 1996

Heart of darkness

The crisis in eastern Zaire has all the ingredients of a catastrophe that could envelope central Africa: bitter ethnic rivalries, colonially imposed national frontiers under strain, fragile governments, hundreds of thousands of refugees on the move.

Most worrying of all, President Mobutu Sese Seko, Zaire's autocratic leader and the region's dominant figure, remains abroad, his ill-health leaving a power vacuum in the heart of the continent.

For the last two years Zaire has helped destabilise its eastern neighbours, Rwanda and Burundi, by providing a haven to Hutu guerrillas fighting the Tutsi-dominated armies of both countries. Now the regimes in Kigali and Bujumbura have returned the compliment, encouraging a Tutsi rebellion inside Zaire in order to push the Hutu refugees further away from the frontier. This could be the trigger which starts the disintegration of Zaire itself, with the risk of insurrection and secessionist movements spilling over into its southern neighbours, Zambia and Angola.

Anarchy could have been averted if, two years ago, the international community had taken firm action to sort the genuine refugees from the extremists, close certain camps, and give those truly afraid of returning to Rwanda the chance to move further into Zaire. This summer's surprisingly successful return of 80,000 Rwandan refugees pushed out of Burundi by the new Tutsi military régime there showed that fears of mass arrests were unfounded. The refugees could yet be reabsorbed among their fellow Hutus, who remain the majority of the population.

But only half-hearted attempts were made, and when last August Zaire tried to take more forceful action the world cried foul. The attempt, which appeared to be breaking the back of the intimidation in the camps with remarkable success, was abandoned.

Rwanda cannot turn its back on genocide and civilianise its institutions so long as infiltrators from Zaire are destroying its infrastructure and killing witnesses to the genocide, as well as Hutu "collaborators". As it is, the escalating attacks on its border are further polarising Rwandan society, encouraging a Tutsi-dominated army to treat the Hutu majority with suspicion and increasing brutality. Every day makes return more problematical.

By keeping the camps in being the UN has nurtured a guerrilla movement whose genocidal tendencies have already been established. It has also allowed the poison of the Hutu-Tutsi war to spread into Zaire, raising the likelihood of a regional ethnic war. From now on the region must be tackled not primarily as a humanitarian crisis, requiring massive but ultimately ineffective injections of aid, but as a political one.

With so much at stake, the international community cannot help being involved. It should bring together the leaders of all three countries and press them with the strongest arguments at its disposal to abandon the traditional practice of supporting their neighbours' insurgency movements. And the refugees, who have been little more than pawns in the hands of the regional powers, must be induced to return home.

No contest

The race for the post of chief executive in Hong Kong is under way in earnest. When nominations closed yesterday more than 30 people had put forward their names to govern the territory after its reversion to China next July. Four, two businessmen and two former members of the judiciary, are seen as serious candidates.

The process is one of selection rather than election. The successful candidate will be chosen by a 400-strong body whose membership is determined by Beijing. China will then formally make the appointment. For that reason Mrs Anson Chan, Hong Kong's chief secretary, has been obliged to rule herself out. Mrs Chan, a staunch defender of Hong Kong's autonomy, would be the people's choice. But Beijing is wary of her close links with Mr Chris Patten's administration.

Instead the frontrunner is the shipping magnate Mr Tung Chee-hwa. His opponents are Sir Ti Liang-yang, the former chief justice, Mr Simon Li, a former appeals court judge, and Mr Peter Woo, the businessman son-in-law of the late Y K Pao. There are strong suspicions in the territory, though, that Beijing is more interested in the form than the substance of a contest.

Each of these contenders has pledged to uphold the one country-two systems formula which is designed to safeguard Hong Kong's freedom and prosperity after 1997. To that end, they would like Mrs Chan to remain as chief secretary. But, with more than half an eye on their new political master, the candidates have also stressed the need for conciliation rather than confrontation in relations with Beijing.

On one level that seems common sense. It betrays, though, a worrying ambiguity about the task of the chief executive. As Mrs Chan has remarked, upholding Hong Kong's autonomy and preserving the freedoms and rights enshrined in the Joint Declaration and the Basic Law will require courage and strong leadership.

China's questioning of the scope for freedom of expression after 1997 and its planned appointment of a new provisional legislature have already put in question the autonomy on which Hong Kong's international reputation depends. The damage can be undone only if the new chief executive acts first and foremost to represent Hong Kong in Beijing rather than vice-versa.

Knives out

The leaders of the UK Conservative and Labour parties really ought to find some other subject to bicker about than the banning of combat knives. There is little disagreement between them although the issue, like the possession of hand guns, raises strong emotions, and some questions of civil liberty.

For this reason it should be considered calmly by politicians outside party divisions, rather than in an unseemly competition for media applause. When Mr John Prescott, Labour's deputy leader, emerged last week from a central London shop brandishing a 25cm Bowie knife and held it up for the cameras, he was making a good point in the wrong way.

Fanning popular outrage on such subjects too often leads to bad law – a point which can be levelled equally against the Tories' attempt to manufacture a moral crusade out of prison sentencing policy.

It is easy to agree that some of the vicious weapons now available in UK shops can have no possible use for law-abiding citizens. However, it less obvious that new laws are needed. Flick knives were banned in 1959. Under the Criminal Justice Act, 1988, 14 different kinds of knife are banned and others may be added. The 1993 Carrying of Knives Act restricted their use. The Offensive Weapons Act of 1996 tightened the restrictions for children. The Criminal Justice and Public Order Act of 1994 gives the police powers to stop and search people for weapons.

The UK needs neither additional laws nor a "mother's campaign" orchestrated by Mr Prescott. It needs a prosaic attempt by lawyers and the police to find a robust definition of military style knives which distinguishes them from those for legitimate use.

This has proved difficult: knives of many kinds are needed, not just in the kitchen, but for sport, trades and country use. For many law abiding people, including boy scouts, a knife has been a traditional symbol of manhood.

No reasonable law can prevent thugs and criminals from buying a lethal blade. The issue is rather the glorification of violence and death, which some weapons represent. This is an offence to public taste. So if the words can be found to restrict the sale of knives designed to kill people, it should be done without further posturing and with no new legislation.

All change on UK railways

Privatisation has produced significant improvements in services but public scepticism persists, writes **Charles Batchelor**

Rail privatisation in the UK is well under way. Around Britain, new operating companies are cutting journey times to far-flung parts of the country and offering bargain fares between big cities. On London commuter lines, the French-owned Connex South Central company has introduced an off-peak service every 10 minutes so that passengers can travel when they want and "throw away their timetables".

The aim is to make profits by luring travellers back to rail; the growth of car travel has pushed rail's share of the passenger market down to 5 per cent today from 19 per cent in the mid-1950s.

Already 13 of the 25 passenger operating franchises have been sold. Other parts of the business, including most freight operations and all the track and rolling stock maintenance businesses, are also in private hands. Railtrack, owner of railway track and signalling, was floated on the London Stock Exchange in May.

The UK's railways must now demonstrate that opponents of privatisation are wrong, that the pain and the cost of fragmenting the state-owned British Rail into more than 80 separate companies have been worthwhile.

Similar battles were fought over previous privatisations. Few people would deny that UK telecoms companies and British Airways are much better than their state-owned predecessors. But more recent privatisations such as water and electricity have yet to prove themselves.

In spite of British Rail's poor record of service and investment, "selling" rail privatisation to the travelling public will not be easy. "The fragmentation confuses passengers and drives them away," says Mr Jonathan Bray, co-ordinator of the Save Our Railways group, one of the most vigorous opponents of privatisation.

The privatised operators – most of them owned by UK bus companies – insist that they are making the changes that their customers want and that BR never managed to introduce.

Faster journeys and better service are essential to the strategy. Great Western, which runs fast trains to the west country and south Wales from London, plans to run as many trains in winter as in the busy summer season. Track improvements have already cut up to 20 minutes off journey times and the company is pressing Railtrack to upgrade further sections of track.

New or refurbished trains are to be introduced on many lines under the contracts negotiated between the companies and the franchising director, Mr Roger Salmon. And various companies are considering introducing tilting trains which would reduce journey times without the need for expensive track improvements.

Great Western has begun to refurbish its 20-year-old trains. "We had our first train ready in eight months. It would have taken us two to three years under BR by the time the proposal had gone through committees," says Mr Brian Scott, managing director.

Gatwick Express, which links London to Gatwick airport, is increasing the number of on-board staff serving drinks and snacks and plans to introduce an airport check-in service on its trains for business class air travellers. Trains will run through the night to serve airline passengers and airport staff.

Fares, which for many years have risen at a faster rate than inflation, are also being used to win customers. BR's response to falling passenger numbers was to raise fares. This helped maintain ticket revenues for short periods but soon drove passengers away.

West Coast InterCity and its east coast counterpart, for example, are using price to take on the airlines. The companies offer a £29 ($46) Scotland-London return, £5 lower than the previous cheapest return and priced to compete with the £29 single fare on offer from EasyJet, a cut-price airline that flies to and from Luton near London.

Improvements are being pushed through in the freight sector too. English Welsh & Scottish Railway, the US-owned heavy freight company, took just three days to arrange to ship 4,000 tonnes of piping from a Leicestershire company to Plymouth – a speed of response impossible under BR. It also regained a customer who had last used rail 20 years before.

These long-awaited improvements have become possible because, behind the scenes, the privatised operators are implementing changes which BR found too difficult to handle as a state-owned company.

Using skills learned in their own industry, the bus companies are negotiating new wage deals with their employees. They are reducing their workforces while paying more to the people they continue to employ. Drivers, for example, have had big wage rises, but restrictive work practices are being rooted out and overall wages bills have fallen. Great Western can now run its express trains at speeds above 180km/h without the need for a second driver in the cab. Freightliner can run its container trains from Southampton to Leeds with just one driver instead of a crew of four.

If this all works, it could eventually be good for UK taxpayers too. The immediate effect of privatisation was to increase the annual level of subsidy by £700m to more than £2bn, but over the life of the passenger franchises, subsidies are set to decline; in some cases franchisees will have to pay a fee for the right to run services.

Investors have already done well by privatisation. The shares of Prism Rail, the owner of three franchises, have quadrupled in value since its listing on London's junior Alternative Investment Market in May. Railtrack, whose flotation was structured to give generous early incentives to investors, has gone from a partly-paid issue price of £2 to around £3.

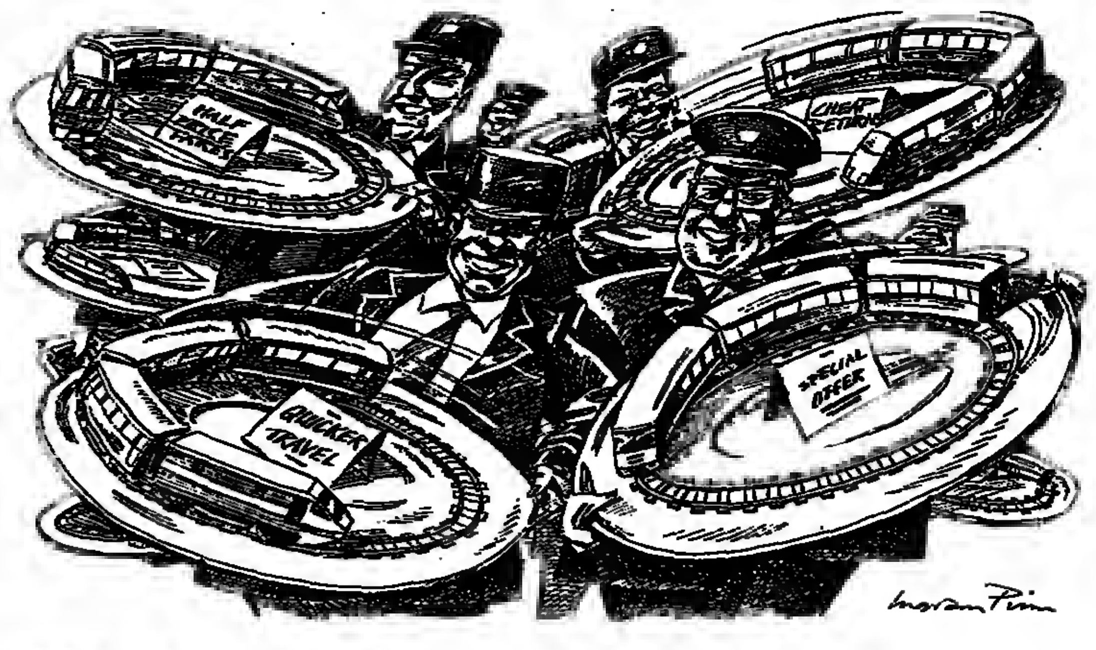
"It was an enormous challenge to create a structure that makes commercial sense and will deliver good businesses to potential buyers," says Mr Salmon. "I think we have done that and we have done it at the top end of expectations."

The many critics of rail privatisation, however, remain unconvinced that the new structure is an improvement. They dismiss the new train liveries, spruced up staff uniforms and corporate logos of the private operators as cosmetic changes.

"The train operators are bringing in new ideas when it affects what happens on their own turf," says Mr Stephen Joseph, director of Transport 2000, a public transport lobby group critical of privatisation. "But we are concerned about services which are not operator specific or which don't give a quick payback – like the national marketing of rail tickets or putting staff on stations.

"Privatisation has happened at a time when the economy is improving and when the weather has been kind. I will believe in it when I see it working in the depths of winter in a recession."

The new owners of Britain's rail network are making improvements that eluded BR managers. The cumulative effect could be a much better, more flexible railway. But public perceptions will be slow to change and it will be a long haul before the average passenger is convinced.



Passenger companies

Franchise ††	New Owner	Ticket Revenues £m*	Route Miles	Employees
Great Western	Management/FirstBus	227	856	2,900
South West Trains	Stagecoach	280	460	4,000
InterCity E. Coast	Sea Containers	208†	950	2,900
Gatwick Express	National Express	27†	27	310
Midland Main Line	National Express**	88.5†	173	1,100
Network South Central	Connex Rail	157†	373	3,095
London Tilbury & Southend	Prism Rail	55	64	770
Chiltern	Management/John Laing	22†	109	360
South Eastern	Connex Rail	233	442	3,900
Cardiff Railway	Prism Rail	6.2	86	315
South Wales & West	Prism Rail	44.5	1,569	1,400
Thames Trains	Go-Ahead/Management	46.5†	250	1,000
Island Line	Stagecoach	0.73	8½	44

Freight companies	New Owner	Revenues £m	Employees
Trainload Freight	Wisconsin Central Transportation	512	7,500
Rail Express Systems	Wisconsin Central Transportation	57†	750
Freightliner	Management	88	1,090

* to March 1996 † Year to March 1995 ** Undergoing Monopolies and Mergers Commission investigation
†† Franchises in bold are those owned by bus or coach companies

Predatory bus companies board the trains

Rail privatisation came at the right time for Britain's bus managers. Ten years after the deregulation of their industry, they used the experience gained in buying their own businesses to seize a large share of the rail market.

Bus companies have bought nine of the 13 rail franchises sold so far. Most British Rail managers, initially regarded as the only people qualified or willing to bid, have been swept aside; they were not helped by the fact that the managers who won control of the London Tilbury & Southend franchise, one of the first to be sold, were later disqualified after the discovery of ticketing irregularities.

Despite the government's attempts to create a railway structure in which operations do not require large amounts of capital – trains are leased and track is rented – the bus companies' deeper pockets have allowed them to prevail over their rivals. "We have a good understanding of how to price risk and we can price our bids accordingly," says Mr Trevor Smallwood, a veteran of the buy-out of the Bristol-based Badgerline bus company, now part of FirstBus where Mr Smallwood is chairman. "We have the experience of the privatisation of our own industry."

The arrival of the bus companies on the rail market has brought some robust, not to say buccaneering, individuals into the railway industry.

Mr Brian Souter, co-founder and chairman of Stagecoach, has built Britain's largest bus group with a policy of aggressive expansion. "We believe we can translate to rail the techniques we applied in the bus industry to cut overheads, improve productivity and make the business more customer-oriented," says Mr Souter. "But we also need to introduce a can-do mentality on the revenue side."

With 12 passenger franchises remaining to be sold, unsuccessful bidders such as GB Rail, a group of rail managers and consultants, and Mr Richard Branson's Virgin group are desperate to gain a foothold in the industry. But the bus companies which have already been successful are keen to broaden their rail portfolios so as to spread their head office costs more widely. Aspiring train operators and those which have already won a place on the footplate can be expected to fight hard for the franchises still to be sold.

· OBSERVER ·

Cuccia's discretion

■ The secretive habits of Enrico Cuccia, the veteran head of Mediobanca, Italy's most influential merchant bank, are of course legendary.

But even he has surprised the business and political establishment by the veil of discretion he had managed to draw around the recent death of his wife, who went by the remarkable names of Idea Nuovo Socialista.

Although she actually died on October 13, news of the event has only recently leaked out – by chance.

The lack of the customary formal announcement or funeral notice has caused considerable confusion among those, including the government, who felt the need to offer their condolences to the 88-year-old banker who has played such a powerful behind-the-scenes role in postwar Italy.

His wife came from an illustrious stable. Her father Alberto Beneduce founded of IRI, the state holding company, during the 1930s. He managed to retain his anti-fascist credentials while enjoying the confidence of Il Duce.

He named his two other daughters Vittoria Proletaria and Italia Libera.

She met Cuccia while he was on secondment from the Bank of Italy to IRI, and they married in 1939.

In a gossip-ridden society, they insisted – successfully – on strict privacy.

The rule appears to have extended to her death, leading some observers to wonder what will happen when Cuccia himself eventually succumbs.

Long goodbye

■ No secrecy, however, when the sun set unexpectedly yesterday on a French institution. Madame Germaine Soleil, the astrologer, has died at the age of 86.

Her name entered into the language when President Georges Pompidou once eluded a journalist's question with the retort that he was not Madame Soleil.

Soleil – seemingly her real name – felicitously combined the very French characteristics of a superstitious nature and an ability to adapt to technological progress.

She exchanged her crystal ball for a microphone in 1970, when she launched a quarter of a century of regular radio broadcasts.

Then, since "retiring" at the age of 80, she had been offering electronic advice through the Minitel phone information service.

Presumably she would have launched a page on the Internet had she not been rudely surprised by the Grim Reaper.

Cheque it out

■ Deutsche Morgan Grenfell's ability to inflate the salaries of investment bankers around the globe cannot endure indefinitely. But those who have failed to clamber aboard the current carousel need not necessarily despair.

Just suppose the talks between Bankgesellschaft Berlin and Norddeutsche Landesbank really do bear fruit, and the pair book up to knock Dresdner Bank off its perch to form Germany's second largest bank.

These may be big regional players, but, to put it mildly, they do rather lack international clout.

Endless scope, then, for an even bigger and better round of outsize-ticket signings – with the added allure of a head office in party town Berlin rather than sombre Frankfurt. Can't be bad – except for those who are trying to run, rather than raid, banks.

Rifkind's fans

■ However heavily the affairs of state weigh on the shoulders of UK foreign secretary Malcolm Rifkind just now, the Brits in Hanoi don't give a fig.

The British Business Group, which has arranged a lunch in his honour as he swings through on an official visit next Saturday, intends to change that. Because at the moment a mere five souls have signed up for the event.

It is most probably nothing personal. Weekends are pretty sacred for many executives in Vietnam, the country that was identified earlier this year by a Hong Kong consultancy as Asia's most stressful expat posting.

But no doubt the business group honchos would prefer not to have to explain that to the foreign secretary's face when he comes visiting.

Beat that

■ Anyone who walks the streets of Paris becomes inured to sexist advertising.

But the full-page spread for Siemens mobile phones in yesterday's Le Monde newspaper was a little extreme even by local high standards.

The apparent aim of the ad was to publicise how long the gadget would work without needing to be recharged.

The slogan? "Bad news. Your wife can stay on the phone for 10 hours."

The Financial Times

100 years ago

Newfoundland Prospects
Any possibility of improving the financial prospects of Newfoundland will be gladly hailed by the rest of the Empire. The recent discoveries of gold in the island were, therefore, a special cause of satisfaction, especially when the financial and trade benefits that have accrued to West Australia from the gold fields were borne in mind. The mining expert sent from England has concluded his examination of the gold-bearing quartz vein at Cape Boyle. So far, he states, the result is satisfactory, and the whole district being mineralised, it is well worthy of exploration.

50 years ago

Wall Street Sags
Wall Street stocks yesterday registered their sixth successive decline, with losses ranging to $3 over a broad front. At the close, declines outnumbered advances by six to one, and the markets finished heavy. The depression was attribute to the break in cotton and reports that steel workers will ask for higher wages next year. Turnover was 990,000 shares, comprising 973 issues, of which 700 fell.

A WRITER

FINANCIAL TIMES
Tuesday October 29 1996

The MALT

Bhutto resigns finance role after IMF pressure

By Farhan Bokhari in Islamabad

Ms Benazir Bhutto, prime minister of Pakistan, yesterday gave up the finance portfolio, which she has held since she came to power three years ago.

The appointment of a new finance minister is seen as a move to please the International Monetary Fund, which has held back the release of a $600m (£375m) standby loan pending firm government action. Ms Bhutto has faced growing criticism for her handling of the economy.

Also in response to IMF pressure, the government last week unveiled an emergency budget, involving austerity and tax measures to raise an extra Rs40bn (£622m) to reduce the budget deficit. In spite of the new taxes, the IMF expects the budget deficit to remain higher than the target of 4 per cent of gross domestic product.

The appointment of Mr Naveed Qamar, privatisation minister, as finance minister disappointed analysts who had hoped for a more technocratic candidate.

It is not clear whether Mr Qamar's appointment would immediately improve prospects for an early deal with the IMF on resumption of disbursements from a $600m standby loan. An IMF mission is in Islamabad this week for talks with officials on the loan, suspended in June after the government's annual budget had failed to meet IMF expectations.

"The government would need to demonstrate that it can keep harsh measures on track despite public protests. The appointment of a new minister alone can be meaningless," said a western economist. Pakistani officials sent for talks with the IMF and the World Bank in Washington were also accused by western economists of "fudging numbers".

Mr Qamar's promotion comes as the government's popularity continues to fall. Hours before his appointment was announced, police in Islamabad and the neighbouring city of Rawalpindi fought Islamic activists whose protests have disrupted the cities over the past two days.

Mr Mudassar Malik, director at Karachi's BMA brokerage, said: "Some kind of a revamping of the finance ministry was needed. Mr Qamar has been appointed so that the IMF can have a greater degree of trust in our economic targets."

Analysts said the absence of an independent finance minister meant vital decisions were not made for several days.

"The absence of an (independent) finance minister had created a vacuum," said one economist yesterday.

Mr Sartaj Aziz, former finance minister and an opposition leader, said: "This has happened too late when things are so bad. I don't know if he can retrieve the situation."

New health fears as Yeltsin suspends meetings

By Chrystia Freeland in Moscow

Russian President Boris Yeltsin yesterday cancelled all this week's planned meetings to undergo medical tests, renewing speculation about his condition.

Doctors and political analysts said the sudden announcement probably signalled either a sharp deterioration in the Russian leader's condition or a decision to perform heart bypass surgery earlier than planned.

Officially, the Kremlin said the president's work schedule had been cleared to allow doctors to do the tests needed in the "final stage" of Mr Yeltsin's preparation for surgery.

"Planned preparations for heart surgery have entered the final stage and the president will undergo a whole series of medical tests under a special regime in the next few days," Mr Sergei Yastrzhembsky, the Kremlin press secretary said.

Mr Yastrzhembsky said no date for the operation, tentatively expected in the second half of November, had been set. "There are no grounds to expect the operation will take place this week," he said.

Dr Mikhail Alshybaya, a Moscow cardiologist, said the announcement could mean only one of three things: "First, it could mean that his condition has seriously deteriorated. Secondly, it could mean they are going to perform another coronography (a two-day investigation of heart activity), because that is the only test which would require the meetings to be cancelled. Or, thirdly, it could mean that they will now conduct the operation, but will not tell anyone about it."

Mr Sergei Markov, a political scientist at Moscow State University, said the most likely reason for the isolation of the president was a serious decline in his condition.

On the Russian markets, the news was overshadowed by reports that more government bonds had been suspended.

Several investors said $56.8m worth of bonds had been frozen either yesterday or Friday, following the suspension of $100m of bonds earlier this year.

The reports pushed the fifth tranche of the dollar-denominated bonds down to 38.25 cents on the dollar, from an opening price of 39.25 cents.

Investors said they had received no official confirmation of the suspension, but a Moscow banker said he learned of the move in a statement yesterday from Vneshtorgbank, the custodian.

Corporate tax debtors, Page 2

THE LEX COLUMN

Germany gears up

Corporate Germany has been lobbying for the legalisation of share buy-backs for years. But yesterday's Justice Ministry promise to change the rules by early 1998 is the government's first public acknowledgement that it is listening.

The change would be good news for investors. According to J.P. Morgan, 52 European companies – mainly British – have announced buy-backs of $50m or more since 1990; on average, their shares have outperformed their respective markets by 15 per cent in the subsequent five months. Buy-backs do not make sense for every company. But those with strong cash generation, few acquisition opportunities and low organic growth need to think about them. Companies whose cost of equity is higher than their cost of debt should even consider borrowing to retire expensive equity.

Several German groups fit the bill. Utilities such as RWE and Veba are good cash generators and have high costs of equity. Financial groups such as Deutsche Bank and Allianz are cash-rich and claim to be committed to shareholder value. That is also true of the big chemical stocks – indeed, Mr Helmut Loehr, Bayer's finance director, has been spearheading the campaign to get buy-backs legalised.

The German plan is not perfect. Repurchases will be restricted to 10 per cent of capital and their tax treatment remains unclear. But the mere fact that Germany is promising to liberalise its rules is positive and will put pressure on the rest of Europe to follow suit.

FTSE Eurotrack 200: 1831.3 (+7.2)

German banking

Germany is hugely overbanked. On the surface therefore, the idea of merging two inefficient regional banks into a bigger, meaner powerhouse, able to punch its weight in Europe, makes a lot of sense. Were Bankgesellschaft Berlin (BBG) to marry Norddeutsche Landesbank (NordLB) – as yet the two are too shy to admit to anything but holding hands – it would create the country's second-largest bank, with total assets of more than DM500bn.

But bigger does not mean better in this case. There is no geographical overlap; the two have already combined their mortgage subsidiaries and their project finance teams; and they already use the same computer systems. A merger would thus produce practically no cost savings. Nor does the private BBG have much to teach publicly-owned NordLB. As its share price testifies, BBG is suffering from high bad debts and rising costs – partly the aftershocks of its own creation from three separate Berlin-based banks several years ago. BBG's return on equity was 5.6 per cent in 1995 and this year it will be lower. The only thing a merger would increase are the enlarged bank's international ambitions. Each potential partner has ambitions to build up its investment banking presence in London.

The real proponent of this merger appears to be the state of Lower Saxony, which has 37 per cent of NordLB and wants to extract cash to ameliorate its own budgetary problems. As these two banks lumber towards an embrace, outside investors should get out of the way.

Alliance & Leicester

Doubtless Alliance & Leicester borrowers and savers are rubbing their hands with glee at the prospect of a £1,000 ($1,600) windfall when the building society becomes a bank. But in truth, they are getting less than they should. To see why, compare A&L's plans with those announced by Halifax last week. Ingeniously, Halifax is converting by transferring its business into an existing subsidiary. This will avoid having to tie up capital unnecessarily in a so-called "priority liquidation distribution right" (PLDR), a rather eccentric legislative requirement. It will also avoid the five-year takeover protection most converting societies enjoy.

A&L should be following Halifax's lead. Already the building society with the highest total solvency ratio in the sector, A&L's choice of conversion route puts it in the ridiculous situation of having raised even more capital – £200m in subordinated debt – purely to fund £600m to commit to the PLDR. The only reason for going through this unnecessary process is to avoid losing takeover protection. That may be good news for the management, but for members it is the opposite. Not only would allowing bids be good for the share price; ditching the PLDR scheme would also make available surplus capital of something like £400m – £170 or more a head – which could be handed back to members. At the very least, they should be offered the choice.

Northern Electric

At first glance, CalEnergy's assault on Northern Electric looks less silly than many previous US bids in Britain's power sector. Whereas other US bidders have often appeared solely driven by the mistaken belief that the targets were cheap, CalEnergy is at least able to articulate a strategic case: as a generator it wants expertise in distribution where it has ambitions elsewhere in the world. Moreover, as a multiple of cashflow, its offer is below the average take-out price in the sector.

Yet these comforting thoughts are deceptive. For a start, however much CalEnergy wants expertise, £651m is a lot to pay for it; hiring a few individuals would surely be a better solution. And sadly, a below average multiple looks appropriate given Northern's over-exposure to the supply business where margins face serious threat. Attempts to value Northern on fundamentals often have difficulty stretching much above £520m or so.

It follows that Northern will not find this bid easy to fight. Its locker, though probably not completely bare, was badly depleted by the Trafalgar House battle. And although a white knight bid from another British power company could make plenty of sense, getting government approval after Friday's decision on wider mergers would be tricky. In short it is hard to see any compelling reason why CalEnergy should need to raise its bid. With the shares trading at 3p above the CalEnergy offer price, shareholders should seriously consider selling in the market.

Lex comment on Kenwood, Page [illegible]

Argentine group loses out in Falklands oil bidding

By Robert Corzine in London and David Pilling in Buenos Aires

The Falkland Islands government yesterday awarded permits for oil exploration in waters claimed by Argentina but rejected two bids from a consortium including the only Argentine bidder.

The Falklands government, which granted exploration licences to five groupings to explore to the north of the islands, declared the licensing round "a staggering success".

A recent seismic survey has shown large geological structures similar to those found in prolific oil regions such as the North Sea.

However, a consortium led by British Gas with YPF, Argentina's largest oil concern as minority partner, emerged empty-handed from the round.

YPF's participation had been regarded as an important symbol of improving relations between the UK and Argentina, which were involved in conflict over the Falklands in 1982. Britain and Argentina reached an understanding in September last year to permit oil exploration around the islands.

However, both governments sought yesterday to play down the rejection of the bid.

"From what we understand, there has not been any type of discrimination against YPF on nationalistic grounds, but the bids were judged on purely commercial criteria," the foreign ministry in Buenos Aires said.

"YPF should be able to get involved in exploration through joining a consortium that has been awarded a block," it said. It was also understood that Shell Argentina would participate in exploration of the bloc awarded to Shell.

The British Gas-YPF group had bid for the two most northerly and promising blocks, which were won by consortia led by Shell and Amerada Hess. However, it apparently would have explored a smaller area and would have drilled fewer wells than its competitors.

British Gas said it was "naturally disappointed" at the outcome. The company said it could not exclude the possibility that it might try to join one of the winning consortia. YPF had no comment.

Mr Andrew Gurr, chief executive of the Falkland Islands government, said the government had "struggled" with the possibility of persuading British Gas and YPF to put in a more favourable bid. But that would not have been fair to others.

The winning companies are committed to spending $200m in exploration over the next five years.

Licence awards, Page 5

SA groups

Continued from Page 1

opportunities for black economic empowerment. However, Mr Beningfield ruled out any prospect of Malbak companies being sold at a discount.

Malbak yesterday announced a 26 per cent increase in net income to R643m for the year ended August 31. Turnover was 14 per cent higher at R17.6bn.

The target date for completion of the unbundling is the end of March 1997.

Swiss banking inquiry

Continued from Page 1

subsequently; the banks' practices with respect to the retention and destruction of records including account opening, closing, transactional and other record keeping".

Moreover, they will examine the payment of interest to, and the collection of charges from, those dormant accounts. The memo hints that banks which failed in their legal or fiduciary duties, or which tried to hide evidence of dormant accounts, could be subject to disciplinary action by the Swiss government. The banks will not be allowed to pass to the auditors information concerning the identity of depositors seized by Poland's post-war government.

The Swiss government and its banking industry have been stung by documents recently uncovered which suggest that the banks handed over only a fraction of the assets of largely Jewish depositors killed during the war.

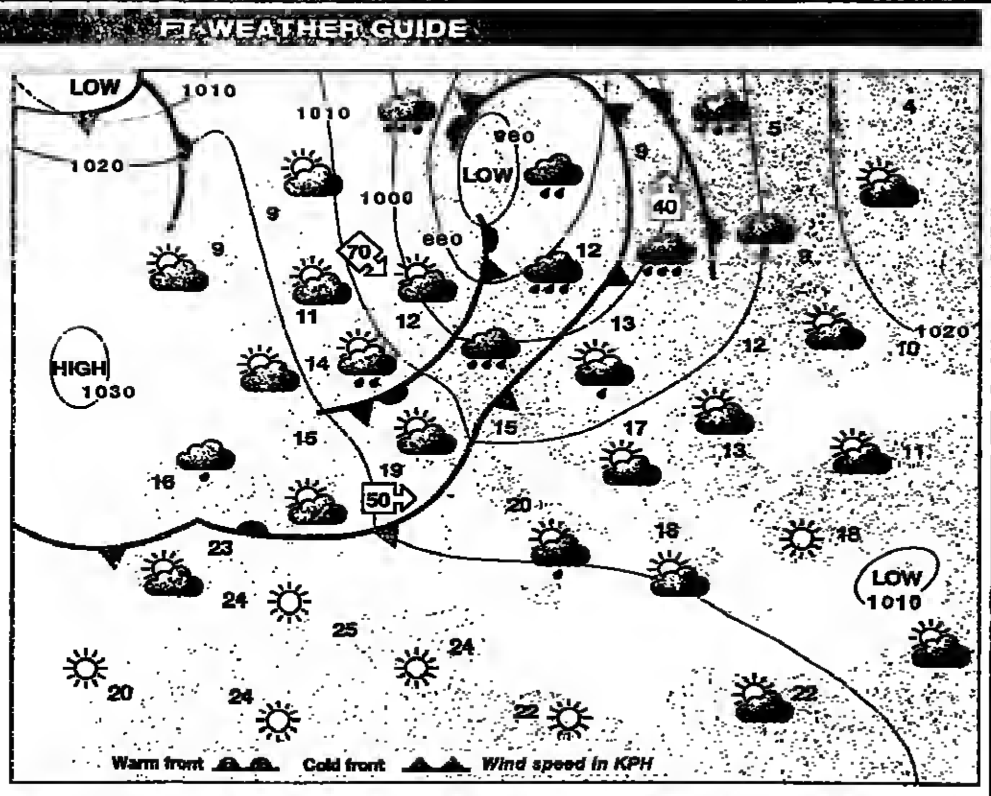
FT WEATHER GUIDE

Europe today

Most of north-west Europe will be unsettled and windy. The North Sea is expected to have gale force winds. The Benelux and northern France will have showers. Southern Scandinavia, Germany, and the western Alps will have rain. Poland, the Czech Republic and western Russia will be cloudy with patchy rain. The UK will be calm and mainly dry with some sunny periods. Southern Portugal and Spain will be sunny. Eastern Europe will be cool. Greece and most of Turkey should have some sun.

Five-day forecast

The UK and north-western Europe will be cooler with changeable conditions and gusty winds. Italy, Spain and Portugal will be sunny. Eastern Europe will be cool with unsettled conditions in the north and some sunshine in the south-east.

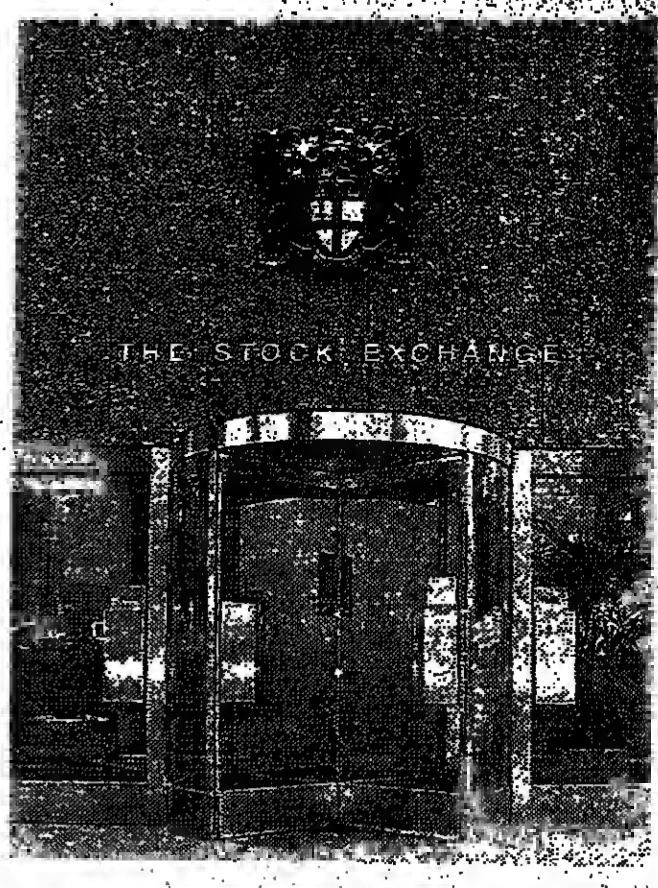


Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 16	Caracas	fair 32	Faro	sun 23	Madrid	fair 23	Rangoon	fair 32
	Celsius	Belfast	shower 8	Cardiff	fair 10	Frankfurt	rain 13	Majorca	fair 22	Reykjavik	sleet 3
Abu Dhabi	sun 33	Belgrade	fair 17	Casablanca	sun 21	Geneva	rain 14	Malta	fair 21	Rio	shower 26
Accra	shower 30	Berlin	rain 13	Chicago	rain 13	Gibraltar	sun 21	Manchester	fair 9	Rome	shower 22
Algiers	sun 25	Bermuda	fair 26	Cologne	rain 12	Glasgow	fair 9	Manila	shower 30	S. Frsco	shower 17
Amsterdam	shower 12	Bogota	shower 20	Dakar	sun 31	Hamburg	rain 11	Melbourne	fair 17	Seoul	sun 16
Athens	sun 17	Bombay	shower 32	Dallas	thund 23	Helsinki	rain 9	Mexico City	cloudy 25	Singapore	rain 31
Atlanta	fair 26	Brussels	shower 11	Delhi	sun 31	Hong Kong	fair 27	Miami	sun 29	Stockholm	rain 12
B. Aires	fair 24	Budapest	cloudy 13	Dubai	sun 33	Honolulu	fair 31	Milan	fair 15	Strasbourg	rain 14
B.ham	fair 9	C.hagen	rain 11	Dublin	fair 9	Istanbul	fair 14	Montreal	fair 8	Sydney	sun 23
Bangkok	thund 33	Cairo	fair 22	Dubrovnik	shower 17	Jakarta	shower 31	Moscow	fair 4	Tangier	sun 23
Barcelona	fair 20	Cape Town	sun 23	Edinburgh	fair 8	Jersey	shower 12	Munich	shower 14	Tel Aviv	shower 21
						Karachi	sun 34	Nairobi	fair 26	Tokyo	sun 19
						Kuwait	sun 32	Naples	shower 18	Toronto	cloudy 13
						L. Angeles	shower 19	Nassau	fair 30	Vancouver	fair 9
						Las Palmas	sun 26	New York	sun 14	Venice	fair 15
						Lima	cloudy 21	Nice	fair 19	Vienna	cloudy 13
						Lisbon	fair 21	Nicosia	shower 20	Warsaw	rain 13
						London	fair 11	Oslo	rain 8	Washington	sun 16
						Lux.bourg	shower 9	Paris	shower 11	Wellington	rain 17
						Lyon	shower 14	Perth	fair 34	Winnipeg	rain 8
						Madeira	sun 24	Prague	shower 14	Zurich	shower 13

No other airline flies to more cities in Eastern Europe.
Lufthansa



OPENING DOORS to success

There is no greater endorsement of a successful management team than a public flotation. CVC deals have an enviable record in this respect. To date more than 30 have gone public with a combined value in excess of £4 billion. Recent flotations such as Belhaven Brewery Group PLC, Brunner Mond PLC, Toolex Alpha, and Victrex PLC confirm the continuing success of CVC-backed managers.

LET'S TALK

If you are a manager who may have the opportunity to become an owner, or if you are an adviser to management, or a potential vendor, you should talk to CVC first. Our door is always open.

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FINANCIAL TIMES
COMPANIES & MARKETS
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"Remind yourself daily that a cheerful disposition invites success."
KAZUO INAMORI, founder of Kyocera
KYOCERA

IN BRIEF

France Télécom set to pay FFr1bn

France Télécom looks set to pay out more than FFr1bn ($194m) in dividends to private investors in its first year as a publicly quoted company. Michel Bon, chairman, said the company's overall dividend payout after next year's planned partial privatisation was likely to be about 45 per cent of net profits. Page 19

Henkel bids $1.1bn for Loctite control
Henkel, a German chemicals concern, revealed an unusual bid for control of a US corporation with the disclosure that it had offered DM1.7bn ($1.1bn) for the 65 per cent of Loctite it does not already own. Page 20

Singapore Airlines down 11% halfway
Singapore Airlines announced disappointing first-half earnings, with operating profits down 11.4 per cent as it suffered from escalating fuel prices, the strong Singapore dollar and a soft cargo market. Page 21

UniChem makes cost cuts pledge
UniChem said it was confident of beating the "conservative" synergy savings of £20m a year should its £641m ($1bn) bid for Lloyds Chemists, the high street retailer, be successful. Page 24

TI faces Forsheda opposition
Disgruntled investors in Forsheda, the Swedish polymer-engineering company, raised the stakes in their opposition to the proposed £189m ($296m) takeover by the UK's TI Group by claiming that shareholders regarded the offer as inadequate. Page 24

Gemms profitability 'highly variable'
The performances of some gilt-edged market-makers – the official dealers in UK government debt – strengthened in 1995, against the previous year, their latest profit-and-loss accounts show. The Gemms posted heavy losses in 1994, and the latest figures show their profitability as highly variable. Results ranged from a pre-tax profit of £38.9m to a loss of £9.9m. Page 26

Liffe may take on olive oil futures
Olive oil futures are among new products being considered by the London International Financial Futures and Options Exchange for its newly acquired commodities section. Page 28

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Adidas	134.70	+	2.70
Bayer	58.03	+	1.03
DLW	92	+	3.50
Deut. Babcock	41.50	+	2.50
Holzmann	385	+	35
Linde	960	+	16
NEW YORK ($)			
Rises			
Acuson	21¼	+	1½
Loctite	57¾	+	11⅝
Mark Twain	46	+	3⅛
Falls			
Cabot	23¼	-	3⅛
Mercury Fin	10	-	2⅛
Phimark	22⅞	-	2⅛
LONDON (Pence)			
Rises			
Grampian TV	292	+	22
London Elec.	608½	+	18½
Northern Elec	648	+	128
Porvair	267½	+	31
Selector	74	+	10
Falls			
Gent (S.R.)	87	-	7
TORONTO (C$)			
Rises			
Aetanic Gold	17.35	+	2.05
Allarcos Comm	9.60	+	[illegible]
Bre-X Minerals	24.45	+	3.55
Hallmark Tech	3.60	+	1.10
Falls			
The Coloquel	8.25	-	1.85
Thornet A.T	37.95	-	2.25
PARIS (FFr)			
Rises			
BIC	754	+	5
Credit Nat	259.10	+	17.60
Falls			
CCIP	1160	-	34
Dollfus Mieg	143	-	7
Havas	327.10	-	3.40
Renault	115.50	-	3.20
TOKYO (Yen)			
Rises			
Green Cross	432	+	19
Hazama Kou	592	+	50
Jusco	3410	+	60
Tokyo Steel	1510	+	40
Falls			
Gun-Ei Chem	431	-	19
Mitsumi Elec	584	-	22
HONG KONG (HK$)			
Rises			
AV Concept	1.19	+	0.15
Dong-Jun	1.16	+	0.15
Elegance	1.73	+	1.16
HK Macau	5.45	+	0.675
Falls			
Kiga Hldg	1.225	-	0.225
San Miguel HK	3.675	-	0.275
BANGKOK (Baht)			
Rises			
Chai Watana	15.00	+	1.50
Charoen CS	69.50	+	5.50
Dusit Thani	29.00	+	2.50
Vanachai	20.00	+	1.75
Falls			
Kang Hual	72.00	-	6.50
Unisitu	32.50	-	2.50

New York & Toronto prices at 12.30.

Philip Morris set for Tabaqueira victory

Lisbon poised to back $215m bid for state group

By Peter Wise in Lisbon

Portugal's Socialist government is this week almost certain to approve an Es33.15bn ($215.7m) bid led by Philip Morris, the US cigarette maker, for 65 per cent of Tabaqueira, the state-owned Portuguese tobacco company.

A government panel has ranked proposals from Philip Morris and its Portuguese partner, the Jorge de Mello group, ahead of competing bids by Seita, the French tobacco company, and a consortium led by Tabacalera, the Spanish group.

Tabacalera, allied with Empresa Madeirense de Tabacos, a Portuguese company, was ranked last, even though it bid 10 per cent more than Philip Morris for the 6.5m shares on offer. It bid Es5,610 a share against Es5,100 by Philip Morris. Seita, at Es4,800 a share, was rated second.

The government is widely expected to follow the recommendation and sell the Tabaqueira holding to Philip Morris. It is due to announce its decision after a cabinet meeting tomorrow or Thursday.

Analysts yesterday said the decision was based largely on a Philip Morris proposal to invest Es7.7bn and thereby almost double Tabaqueira's production over the next five years from 11bn cigarettes a year to 21bn.

Philip Morris says it will immediately transfer production of 4bn cigarettes a year to Tabaqueira from plants in the Netherlands and Germany, and by 2001 plans to increase production by a further 6bn a year through investment in new capacity.

There are currently about 16bn cigarettes sold annually in Portugal. Philip Morris believes it can increase Tabaqueira's domestic sales from 11 bn to 15bn cigarettes a year, and export a further 6bn.

Tabacalera's proposal was to invest Es4.3bn without substantially increasing the level of production.

Seita planned to reduce production to 9.5bn cigarettes a year.

Philip Morris also proposes to sell Tabaqueira's controlling stake in Portugal's leading tobacco distribution company and its holdings in big tobacco wholesalers, the group said yesterday. The aim is to liberalise Portugal's tobacco market, where competitors have accused Tabaqueira of unfairly dominating distribution to its advantage.

Tabaqueira also owns 49 per cent of Nutrinveste, one of Portugal's leading producers of cooking oil, fruit juice, pasta and other foods, while the Jorge de Mello group, partner in the Philip Morris bid, holds the other 51 per cent.

If the government approves the Philip Morris bid, the group plans to invest Es8bn in Nutrinveste, which has an annual turnover of Es55bn. This compares with annual sales of Es31bn for Tabaqueira, which does not include the high level of tax levied on tobacco in Portugal.

Tabacalera had offered to acquire 100 per cent of Tabaqueira immediately, rather than wait two or three years to privatise the remainder, as the government envisages.

The aim was subsequently to float 49 per cent on the stock market.

Philip Morris says the value of the stock will increase and the state will raise more revenue if the government keeps to its original plan.

Citibank plans ATM link-up with Japan post office

By William Dawkins in Tokyo

Japan's posts and telecommunications ministry has agreed in principle to allow Citibank of the US to link up with nearly 23,000 automated teller machines operated by post offices across Japan from early 1998.

The deal would give Citibank in Japan the largest domestic ATM network in the world, with access to 85,000 machines, the bank said. Citibank, which in the 1980s became the first bank in Japan to open 24-hour ATMs, has 72 ATMs of its own there, plus access to the 62,000 owned by Japanese banks.

The link would allow Citibank customers to deposit and withdraw funds and check account balances at post office ATMs, and allow post office savers to do the same at Citibank terminals.

It would be the first alliance between the Japanese post office and a private-sector bank and the latest example of a new openness towards some deregulation by Japan's formerly conservative bureaucracy. Mr Michael Knapp, Citibank's Japanese consumer business manager, said the ministry had welcomed the bank's approach.

The accord, however, could meet resistance from the powerful finance ministry, aware of Japanese banks' sensitivity to competition in the domestic market. An official at the ministry's postal savings bureau yesterday said the ministry accepted the accord because it would allow the post office to offer access to its savings accounts through Citibank's foreign operations. The Japanese post office is the largest savings bank in the world, with deposits of Y220,100bn ($49.5m) at the end of August.

The agreement awaits funding from next year's state budget, in which the posts ministry has asked for Y1.8bn to pay for a link-up with the private sector. Japanese stockbrokers are negotiating a similar link-up alongside Citibank which would allow post office customers to buy and sell shares, said ministry officials.

The posts ministry had approached Japanese banks for an ATM link, but had failed to get an agreement, possibly a reflection of Japanese banks' long-standing complaints against unfair competition from the postal savings system. It offers higher rates on deposits – currently 1.1 per cent – than the private sector, due to a combination of government subsidy and regulation. Private-sector banks argue that they should have equal access with the post office to Japan's vast pool of savings.

In a separate move, Citibank yesterday announced that it would reimburse customers for fees incurred on a limited number of ATM transactions made via other Japanese banks' terminals. It is the first offer of its kind in Japanese retail banking.

The agreement with the postal savings bureau is the second instance in the past two weeks of the bureaucracy's new willingness to allow a measure of deregulation in hitherto tightly controlled markets. It follows the transport ministry's announcement that it would welcome applications for domestic air route licences from a discount travel agency planning to found the first new airline in more than 40 years.

Meeting investors: Deutsche Telekom chairman Ron Sommer in London yesterday Trevor Humphries

Telekom plans to cut debt to DM65bn in three years

By Nicholas Denton in London

Mr Ron Sommer, chairman of Deutsche Telekom, yesterday told international investors that the company's priority would be the reduction of its debt to DM65bn ($43bn) by 2000, even if that meant forsaking some opportunities for international expansion.

As the roadshow for Europe's largest privatisation moved to the City of London, Mr Sommer said Deutsche Telekom, with its Global One alliance with France Telecom and Sprint in place, was under no pressure to make acquisitions.

"When it comes to international investment, our blood pressure is very low," Mr Sommer said in an interview before meeting UK investors. "We will only do it if it makes financial and strategic sense, and creates value for our shareholders."

Mr Sommer issued a light reprimand to Deutsche Bank, one of three global co-ordinators of the DM12.5bn-DM15bn privatisation issue, after the German bank issued derivatives based on the securities without obtaining approval from Deutsche Telekom.

Deutsche Telekom said the warrants – which carried the right but not the obligation to buy Telekom shares when they are issued – had been withdrawn. "It is a very complicated IPO and we understand that it is sometimes complicated for the banks," said Mr Sommer.

Deutsche Telekom, which had individual meetings yesterday with UK institutions including Mercury Asset Management and Gartmore, is attempting to convince potential shareholders that it will no longer seek expansion and technological development for their own sake.

Advisers to Deutsche Telekom said the management's expansionist inclination had moderated in the four months leading up to the roadshow, as it began to market itself to investors.

However, it is understood that Deutsche Telekom is still looking at possible acquisitions of telecommunications companies in emerging markets. It has not ruled out an acquisition in the fast-consolidating UK cable sector.

It is also watching closely the Italian and Spanish markets.

Air France may bid for domestic rival

By David Owen in Paris

Air France yesterday hinted that it might launch a bid for AOM, its domestic rival, as it seeks to stave off a challenge from British Airways ahead of next year's liberalisation of the French air transport market.

Mr Christian Blanc, Air France chairman, said in an interview with Le Provençal, a Marseilles newspaper, that the state-owned carrier would "certainly look into the question" of AOM, which has about 12 per cent of the domestic French market.

His comments come as British Airways appears on course to strengthen its position in France by winning control of Air Liberté, the troubled private carrier.

Success for BA's offer to inject FFr630m ($124.3m) into Air Liberté in partnership with Groupe Rivaud, a French banking group, would enable the UK carrier to run Air Liberté in tandem with TAT, its existing French airline, and would give it a 20 per cent share of the French domestic market. A decision on the BA/Groupe Rivaud offer could come as soon as this week.

In a foretaste of the rivalry likely to flare between the two heavyweights if BA succeeds in strengthening its French toe-hold, Mr Blanc also used yesterday's interview to criticise the UK company.

He said it was not "with joy that the group is seeing British Airways arrive as the second operator in France", and warned that the situation could "cost French air transport very dear in the next few years". He urged readers to "note that British Airways has never bought a single Airbus".

In remarks coinciding with Air France's launch yesterday of a service between Paris and the southern French cities of Nice, Marseilles and Toulouse, Mr Blanc said AOM would face a "positioning problem between our group and the TAT-Air Liberté grouping".

But he appeared to acknowledge that European Commission conditions attached to a FFr20bn aid package authorised in 1994 in effect ruled out an Air France bid for the company until next year.

His comments came less than a week after Nouvelles Frontières, a travel group which recently withdrew from bidding for Air Liberté, said it was interested in AOM.

CalEnergy bids $1.2bn for UK power group

By Simon Holberton in London

Northern Electric, the UK electricity supplier, yesterday faced its second hostile bid in two years as CalEnergy, an independent US power producer, launched a £766m ($1.2bn) offer.

CalEnergy also scooped up 12.58m Northern shares, a stake of nearly 13 per cent, at its offer price of 630p a share, in one of the most successful dawn raids yet on an electricity company. Analysts said this suggested Northern might have a tougher time fighting off this bid than that by Trafalgar House, the UK property and construction company, in late 1994 and early 1995.

If successful, Northern would become the UK's fourth regional electricity company to fall into US hands – giving US groups nearly 30 per cent of the electricity market in England and Wales, measured in customer numbers. Northern's board said the offer was too low and told shareholders not to sell.

The offer values Northern's ordinary equity at £651m. A separate offer for the company's preference shares at 103p would cost another £115m. Northern's shares closed at 648p – 18p above the offer and well above Friday's close of 520p.

The two sides traded claim and counter claim following Northern's statement that CalEnergy had at the weekend talked of an offer at "around 700p" a share.

CalEnergy denied it had ever talked about such an offer.

Northern successfully fought off Trafalgar House's bid by adopting a 'shareholder value' strategy which included special dividends and the issue of preference shares.

Some analysts said yesterday that CalEnergy's bid represented a fair valuation for Northern Electric and the success of the dawn raid underlined the willingness of UK institutions to quit the utilities sector when offered cash.

The sector faced an uncertain short-term future, with a capricious regulatory framework and the Labour party's promised windfall tax on privatised utilities seen to have made excessive profits.

These concerns, however, were not shared by CalEnergy, which is advised by CS First Boston. Mr David L. Sokol, CalEnergy chairman and chief executive, said it had taken a possible windfall tax into account in planning its bid.

Analysts thought it unlikely a "white knight" counter bidder would appear.

CalEnergy has total assets of $3.5bn. In the year to September it had turnover of $480.4m and profits of $83.8m.

It owns, or has under construction, 3,000MW of power stations. Its US assets are in California, New York and Texas; abroad it has investments in the Philippines and Indonesia.

Lex, Page 16

This announcement appears as a matter of record only SEPTEMBER 1996

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LONDON PARIS MILAN NEW YORK HONG KONG

German banks move towards consolidation

Merger is not a word either Bankgesellschaft Berlin or Norddeutsche Landesbank like to hear in connection with their ongoing series of talks. Instead both refer to talks about developing concepts for closer co-operation.

But whatever the terminology, the fact is that the regular series of meetings between the two institutions which have been going on for the past two years are indicative of a trend towards concentration within the German banking sector.

"The fact is that Germany is over-banked. There are far too many institutions, some 3,600 in all. There will have to be mergers," says Ms Sabine Bohn, an analyst at Schröder Münchmeyer Hengst in Frankfurt.

A prime motivation to merge is the need to reduce costs through economies of scale. "You need scale to invest in technology and to keep distribution costs down," explains Mr Neil Crowder, a German banking analyst at Goldman Sachs in London.

German banks – especially the regionally-rooted co-operative and savings banks but also those in the private sector – are considered inefficient. Dense branch networks with a large infrastructure have led to over-staffing. As distribution drifts away from branches towards direct banking via telephone, margins are increasingly under pressure.

Germany's banks have 48,700 branches. The population per branch is just 1,633, against 3,230 in the UK, according to London-based brokers James Capel. The average cost:income ratio is 67.5, compared with 62.1 in the UK and 52.2 in Sweden.

There is also pressure from customers. Germany's medium-sized companies, known collectively as the Mittelstand, have changed their banking habits in recent years.

Whereas in the past a company typically had a local "Hausbank" which serviced all its needs, now companies are starting to shop around, not only within Germany but also abroad.

It is not just the wider availability of capital which is forcing banks towards consolidation. German companies are investing abroad more and in doing so require a different level of know-how from their banks. "This level of expertise is not available at every savings bank. But the customer demands it," says Ms Bohn.

Against this backdrop, a coming together of Bankgesellschaft Berlin and NordLB appears a neat fit. Geographically they would make a strong north German bank, particularly if NordLB's talks with the Hamburg senate, the city's government, allows it some form of involvement with the Hamburger Landesbank.

In some areas the two have already merged their operations. This summer the mortgage banks were brought together into the Berlin-Hannoversche Hypothekenbank, or Berlin Hyp.

Then there is a joint-venture in electronic data processing – the BHS Berliner Hannoversche Softwareentwicklungsgesellschaft – which brings together many of the two banks' back office operations. Both have also set up a jointly-owned consultancy subsidiary called Kommunalconsult specialising in project financing for the public sector and privatisation.

Top 10 German banks

Tier one capital 1994

[illegible]	[illegible]	578	[illegible]	[illegible]
[illegible]	13.?	400	1.?	Quoted bank
Westdeutsche Landesbank	12.2	366	0.7	Landesbank
Commerzbank	10.1	342	1.7	Quoted bank
Bayerische Hypobank	8.5	275	1.1	Quoted bank
Kreditanstalt für Wiederaufbau	8.2	246	0.4	Special purpose bank
Bankgesellschaft Berlin	8.1	243	0.7	Quoted bank
Bayerische Vereinsbank	7.8	318	1.1	Quoted bank
Bayerische Landesbank	5.7	266	0.5	Landesbank
Norddeutsche Landesbank	4.8	184	0.4	Landesbank

Source: Banker Top 1000

In the international arena Bankgesellschaft's ongoing search for a London-based investment house could be bolstered by the backing of Nord/LB which has also established a noticeable presence outside Germany.

As such it seems that, despite the continuing denials from both banks, a move to a merger is already under way. Analysts see one scenario in which NordLB is brought into the Bankgesellschaft holding.

How quickly this can happen, remains to be seen. A merger would require the agreement of four state governments – the city of Berlin, Lower Saxony, Mecklenburg-Vorpommern and Saxony-Anhalt – which are shareholders in NordLB.

Another unknown is the position of Bankgesellschaft's non-governmental shareholders, notably Gothaer Beteiligungsgesellschaft, the investment wing of the Gotha Versicherung insurance group with 10 per cent, which might be faced with a dilution of their stake.

Furthermore, Bankgesellschaft is still coping with the costs of its consolidation which came about two years ago with the merger of three of Berlin's municipal and private sector banks. Consolidation costs were cited as the principal cause for a 39 per cent plunge in profits in the first half of 1996.

Frederick Stüdemann

Autoliv posts 14% advance at nine-month stage

By Greg McIvor in Stockholm

Profits at Sweden's Autoliv, which is to merge with the car safety business of Morton International of the US to form the world's largest car airbag and seat belt supplier, rose 14 per cent in the first nine months.

Robust sales growth in key markets helped push pre-tax profits from SKr758m to SKr863m ($131m), strongly ahead of a 2 per cent increase in European light vehicle production – Autoliv's most important market.

Sales rose from SKr7.8bn to SKr8.6bn. They were hit by a 10 per cent adverse currency effect, but this was largely balanced by a 9 per cent increase in revenue arising from acquisitions. Earnings per share rose from SKr8.70 to SKr10.22.

The figures were in line with analysts' predictions. However, Autoliv shares fell sharply after the report before rallying to close up SKr2.50 at SKr286.50 on the day.

Mr Paul Charlety, chief executive, said the merger preparations with Morton were progressing well and expressed confidence the deal would receive shareholder backing.

Autoliv shares have been steady since climbing 13 per cent immediately after the merger deal was unveiled late last month.

This is despite Autoliv's forecast of little short-term earnings enhancement.

The two companies have signed a letter of intent and Autoliv said a definitive agreement would be reached next month, with a prospectus to follow in the spring.

Autoliv's strongest nine-month growth was in its seat belts operations, where sales progressed from SKr4.1bn to SKr4.6bn, or 11 per cent adjusted for exchange rate effects and acquisitions.

The company ascribed the increase to the successful launch of belt systems with so-called pre-tensioners, which are said to reduce the risk of injury in event of accident.

Turnover in airbags and steering wheels grew 8 per cent, from SKr3.7bn to SKr4bn, or 11 per cent fully adjusted.

Mr Charlety said the European market was not as mature as in the US, and was set to continue expanding. However, he said Autoliv was experiencing price pressure, which would take some of the edge off growth.

The company said it had started deliveries of side-impact airbags to Volkswagen and Audi, the German car makers and Autoliv's second and third customers after Volvo of Sweden.

It has also begun supplies to Nissan Diesel and Isuzu, the Japanese truck makers – again its second and third customers after Volvo.

EUROPEAN NEWS DIGEST

Canal Plus signs MCA film contract

Canal Plus, the French pay-TV group, yesterday said it had signed a contract with MCA, the US television and entertainments group, for the exclusive rights to show MCA films in France on both its terrestrial and digital satellite services. The five-year agreement is an important step in the battle for broadcasting rights, which is at the centre of competition between competing European satellite and cable television services.

Canal Plus will have sole access for pay-TV to the Universal Pictures' catalogue, which includes such recent films as *Waterworld*, *Babe*, *Apollo 13* and *Back to the Future*, as well as such classics at *Vertigo* and *Psycho*. It will also launch a Universal channel as part of its satellite service, offering action, adventure and mystery films, using French and European productions as well as Universal material such as *Columbo* and *The A-Team*.

Canal Plus would not disclose the value of the contract, but said it had cost no more than its existing annual expenditure on film rights from MCA. In July, RTL and Kirch, the German media groups, each paid more than DM2.25bn ($1.5bn) for separate film rights from MCA.

Mr Blake Westlake, president of Universal pay television and television business development at MCA, said initial indications showed the Canal Plus service would be "the long-term leader and winner in the marketplace."

Andrew Jack, Paris

Euro Disney shares jump

Shares in Euro Disney, the Paris-based theme park, jumped 3.43 per cent yesterday to FFr10.55 after a French government official claimed the number of people visiting the attraction rose 10 per cent in the year to the end of September to 11.8m. The figures, given by Mr Claude Villain, the civil servant responsible for monitoring the park, were dismissed later in the day by Euro Disney. It said the definitive entrance numbers would be published in its full-year results next month.

Andrew Jack

Funds buy 25% of Star Foods

Advent International's Central European Private Equity Fund, a venture capital investment fund, has led a group of investors in taking a 25 per cent stake worth $8m in Star Foods, a Greek-owned snack-foods producer and distributor in Poland. Star Foods is one of the most successful foreign-owned operations in Poland. It is owned by the *Mitzalis family*, which has built similar businesses in Bulgaria and Romania. The investment by Advent and its partners – which inclode Copernicus, a Polish based investment fund, Jupiter Asset Management and Pioneer, a US mutual fund – values Star Foods at $32m.

Christopher Bobinski, Warsaw

Trading in MHB suspended

Hungary'a securities commission has suspended over-the-counter trading in Magyar Hitel Bank, the country's fifth-largest bank, following a sharp increase in the stock's price last week. The rise followed newspaper reports that Austria's Creditanstalt and ABN Amro, the Dutch bank, had bid for the bank, which is being privatised. The two banks have entered a closed tender for an 89 per cent stake in MHB, which had assets totalling Ft260bn ($1.7bn) at the end of last year.

Virginia Marsh, Budapest

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Morgan Stanley Client	Transactions Last 12 Months Only	Approximate Transaction Size
Munich Re	Acquisition of American Re*	$4,040,000,000
Swiss Re	Acquisition of Mercantile and General Re*	2,650,000,000
GEICO	Sale of remaining 49% of company to Berkshire Hathaway	2,300,000,000
First Colony	Sale of company to GE Capital*	1,800,000,000
Metra Health	Sale of company to United Healthcare	1,650,000,000
General Re	Acquisition of National Re*	1,150,000,000
The New England Companies	Merger with Met Life	1,050,000,000
AON	Divestiture of Life Insurance Company of Virginia to GE Capital	960,000,000
Emphesys Financial	Sale of company to Humana	640,000,000
Household International	Divestiture of Alexander Hamilton Life to Jefferson Pilot	575,000,000
AON	Divestiture of Union Fidelity to GE Capital	420,000,000
Mass Mutual	Sale of Group Life and Health business to WellPoint	380,000,000
Marsh & McLennan	Divestiture of the Frizzell Group to Liverpool Victoria Friendly Society	300,000,000
Sammons (Midland National)	Acquisition of NACOLAH Holding Corp.	235,000,000
Skandia AB	Divestiture of Skandia America to Fairfax Financial	230,000,000
UNUM	Divestiture of their Tax Sheltered Annuity Business to Lincoln National	210,000,000
Allstate	Divestiture of Domestic Reinsurance operations to SCOR US	Not Disclosed
American International Group	Acquisition of SPC Credit Ltd. from Bank America	Not Disclosed
ING Insurance N.V.	Arranger of Debt Issuance Program	1,000,000,000
Travelers/Aetna P&C	Initial Public Offering	885,000,000
IPC Holdings, Ltd.	Initial Public Offering	297,500,000

MORGAN STANLEY

[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 28.10.96: Pool purchase price £/MWh	Final Prices for Trading on 01.10.96: Pool purchase price £/MWh	Final Prices for Trading on 01.10.96: Pool selling price £/MWh
0030	11.88	11.72	11.72
0100	11.85	9.15	9.15
0130	11.85	9.15	9.15
0200	11.85	9.15	9.15
0230	11.88	9.15	9.15
0300	11.86	8.15	9.15
0330	11.88	9.15	9.15
0400	11.83	8.15	9.15
0430	11.83	9.15	9.15
0500	11.82	9.15	9.15
0530	11.82	9.06	9.06
0600	11.53	9.06	9.06
0630	11.86	11.73	11.73
0700	11.59	11.77	11.77
0730	16.84	12.75	15.32
0800	16.97	16.44	19.40
0830	17.02	16.90	19.87
0900	17.16	17.58	20.83
0930	21.86	17.95	21.29
1000	21.87	19.91	23.34
1030	21.81	19.91	23.53
1100	17.22	18.49	21.99
1130	39.90	21.03	24.77
1200	40.52	40.88	44.31
1230	40.48	20.42	24.00
1300	40.37	17.41	20.84
1330	17.17	17.29	20.49
1400	17.15	16.29	19.32
1430	17.12	16.03	19.06
1500	17.12	14.83	17.83
1530	17.18	14.90	17.91
1600	18.11	15.56	18.77
1630	21.57	19.52	23.36
1700	158.88	45.73	50.04
1730	296.01	46.13	50.49
1800	265.03	44.08	47.85
1830	173.34	29.19	33.54
1900	72.39	54.79	60.79
1930	37.82	59.01	65.08
2000	23.91	58.82	62.46
2030	19.47	38.15	42.03
2100	17.27	17.47	20.70
2130	16.98	14.34	17.16
2200	16.94	14.06	16.79
2230	28.34	14.02	16.74
2300	28.34	14.02	16.74
2330	16.94	11.77	11.77
2400	11.86	11.73	11.73

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £19.89/MWh becomes 1.989p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6729 between [illegible] and [illegible] Monday to Friday.

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with

COPERNICUS
CAPITAL MANAGEMENT Sp. z o. o.

and

PIONEER POLAND FUND

has acquired a 25% shareholding in
SAGAGROVE Ltd
holding company of

Star Foods
POLAND SP. z.o. o.

ALPHA FINANCE S.A.

acted as the advisor to the Seller

Alpha Finance S.A., 8 Merlin Str., 106 71 Athens, Greece
Tel. + 30 1 362 7710/ Fax. + 30 1 361 9532

Advent International plc is regulated by IMRO

October 1996

USD 100,000,000
KANSALLIS OSAKE PANKKI
Subordinated Floating Rate Notes due July 1997

Interest Rate 5.78125%

Interest Period October 28, 1996 January 28, 1997

Interest Amount due on January 28, 1997 per

USD 10,000 USD 147.74
USD 250,000 USD 3,693.58

BANQUE GÉNÉRALE DU LUXEMBOURG
Agent Bank

U.S. $75,000,000

CREDITANSTALT
Creditanstalt-Bankverein
(Incorporated in the Republic of Austria with limited liability)

Inverse Floating Rate Notes due 1998

Notice is hereby given that for the Interest Period from October 29, 1996 to April 29, 1997 the rate has been determined at 8.21485% per annum. The amount payable on April 29, 1997 per U.S.$1,000, U.S. $10,000 and U.S. $100,000 principal amount of Notes will be U.S. $41.53, U.S. $415.31 and U.S. $4,153.06 respectively.

By: The Chase Manhattan Bank
London, Agent Bank

October 29, 1996

CHASE

NOTICE OF REDEMPTION
MORTGAGE SECURITIES (NO.3) PLC
£117,000,000 Multi-Class Mortgage Backed Floating Rate Notes due 2035

Notice is hereby given that, pursuant to Condition 5(c) of the Notes, the Issuer shall redeem:

£5,322.00 per Class A2 Note
£0.00 per Class A3 Note

on the next Interest Payment Date, being October 31, 1996.

MORTGAGE SECURITIES (NO.3) PLC
Dated: October 29, 1996

Santander posts 13.2% advance

By Tom Burns in Madrid

Banco Santander, which is leading a drive by Spanish banks into Latin America, yesterday posted a 13.2 per cent increase in net attributable profit to Pta71.7bn ($570.1m) for the first nine months of the year.

The result, which was helped by robust growth in the group's core commercial banking business both in Spain and Latin America, was in line with estimates.

Santander had the highest nine-month net income among the domestic banks, ahead of the Pta70.4bn posted last week by Banco Bilbao Vizcaya, its closest domestic rival.

Mr Emilio Botín, Santander chairman, said the results reflected "the excellent evolution of recurring income".

Reporting big increases in outstanding loans, mortgage lending and managed funds, the bank said that net interest income rose 12.3 per cent to Pta292.7m and that earnings from fees and commissions increased 14.6 per cent to Pta116.1bn.

Average total assets, the largest among the domestic financial institutions, stood at Pta17,881bn, 14.5 per cent up on the nine-month stage last year, and return on equity increased from 16.55 per cent to 17.56 per cent.

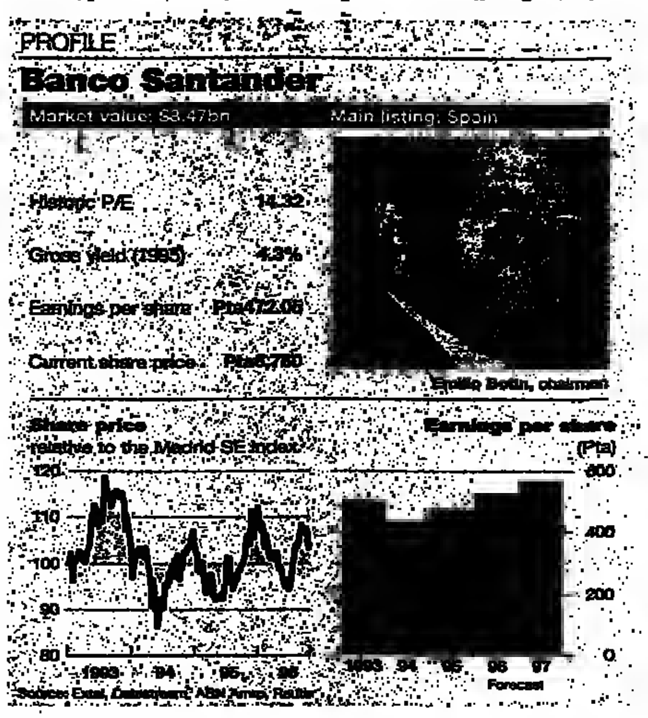
Net provisions for loan losses, which increased 32.4 per cent to Pta32.7bn, and for goodwill amortisation, which grew at a similar rate to Pta14.8bn, held back profitability. The group said, however, that these figures pointed to considerable unrealised earnings potential.

Some Pta12bn of the goodwill amortisation was absorbed by Banesto, the troubled bank which was acquired by Santander in 1994 and which is expected to start making a positive contribution to the group's results in the next 12 months. Under domestic banking rules, goodwill must be amortised over 10 years, instead of over 20 years as in the US, and it cannot charged to reserves, as in the UK.

The results come as Santander deepens its involvement in Latin America, where it last week acquired 75 per cent of Grupo Financiero Invermexico, Mexico's fourth-largest financial institution, in a $378m deal. In April, Santander spent $495m on Chile's Banco Osorno, which it merged with its existing financial activities to form Banco Santander Chile.

The Spanish group is now set for an acquisition in Venezuela, where it has been shortlisted in privatisation tenders for Banco de Venezuela and for Banco Consolidado, a smaller bank. Decisions on both sales are due before the end of the year.

Santander, which is also present in Argentina, Peru and Puerto Rico, has still not reached a ceiling imposed by its board which limits investments in Latin America to 20 per cent of resources.



France Télécom's first payout set to top FFr1bn

By David Owen in Paris

France Télécom looks set to pay out more than FFr1bn ($194m) in dividends to private investors in its first year as a publicly-quoted company.

Mr Michel Bon, chairman, said the company's overall dividend payout after next year's planned partial privatisation is likely to amount to about 45 per cent of net profits. This is the same proportion as the annual payment the company makes to the French state, at present its only shareholder.

Private investors are expected to be given their first opportunity to invest in the group next April in what is expected to be the country's largest privatisation to date. The planned float is one of a string of share offerings in state-controlled European telecoms operators.

Mr François Fillon, telecommunications minister, said recently the proportion of capital offered should be "about 20 per cent". The state is to retain 51 per cent of the company.

On this basis, the group would need to make 1997 profits of more than FFr11bn for the FFr1bn payout to be triggered. A report on the company published in June by BZW, the investment arm of Barclays Bank, estimated net profits for that year would be FFr12.8bn. This would compare with a 1995 figure of FFr9.2bn, generated from sales of FFr147.6bn.

Mr Bon said he expected the group's 1996 accounts to include net provisions of between FFr15bn and FFr30bn, taking its net worth to below FFr100bn. This would be less than the level of its net debt, but Mr Bon indicated that from 1997 debt should fall by between FFr10bn and FFr15bn a year.

As well as important adjustments in the wake of the company's much-publicised agreement to pay FFr37.5bn to the state in return for the transfer of pension liabilities, these provisions would include a significant sum for property write-downs. Mr Bon said this was needed because property was valued at 1990 levels – close to the peak of the French property market. According to BZW, France Télécom believes its "original 1990 balance-sheet may have overvalued land and buildings by up to FFr25bn".

Mr Bon said he wanted to make next year's float a "popular French" share offering. "All the French are clients of France Télécom and everyone has a view of the quality of the product," he said.

The arrival of private investors should also give the company with a one-off benefit related to the fact that it will pay ordinary dividends several months later than it currently pays the state. The company makes this payment on the last day of the year to which it relates, based on an estimate of eventual profits. The first dividends to private investors, by contrast, are unlikely to be paid until well into 1998. Extra interest on this money could be worth tens of millions of francs.

AgrEvo forecasts 36% rise for year

By Frederick Stüdemann in Berlin

AgrEvo, the German agrochemicals company, said it expected operating profits to rise 36 per cent to DM200m ($131m) as a result of unexpectedly strong sales growth and the effects of cost-cutting in the first three-quarters of 1996.

Mr Gerhard Prante, chief executive, said the company, which is jointly owned by Hoechst and Schering, now expects sales for the full year to reach DM3.75bn, 11 per cent higher than in 1995 and well ahead of the market average of 3-4 per cent.

Earlier this year AgrEvo had forecast sales of DM3.5bn. Schering's shares advanced DM0.25 to DM124.80 on the news. Hoechst shares put on 77 pfennigs to DM58.05.

The strongest sales growth was expected in Latin America where a rise of 27 per cent to DM100m was forecast. This followed North America, where a 14 per cent increase to DM80m is expected. In Europe, the company's biggest market, a 4 per cent rise in sales to DM1.5bn is forecast.

In global terms the company lifted its share of the $26bn agrochemicals market to 9 per cent. In sales terms AgrEvo is now the second-largest agrochemicals company in the world after Novartis.

The company's bio-technology activities were progressing well but were dependent on public acceptance of genetically manipulated crops, Mr Prante said. This was a particular problem in Germany where there has been strong opposition from environmental groups.

Outside Japan the company benefited from a weakening of the D-Mark, Mr Prante said. In 1995 AgrEvo estimated it lost DM250m of sales and saw DM80m wiped off the operating profit by the negative effects of exchange rate.

Mr Peter Henkel, the board member responsible for administration and personnel, said AgrEvo's cost-cutting campaign was beginning to take effect and had contributed significantly to the rise in operating profits.

By 1998 the company aimed to cut DM300m off its costs compared with 1994.

The 1996 profits forecast includes restructuring costs of DM130m, Mr Henkel said.

Randgold profits ahead sharply

By Mark Ashurst in Johannesburg

Randgold, the South African mining house whose recovery hinges on the fate of the country's marginal gold mines, announced a sharp rise in full-year profits.

Pre-tax profit for the year to September 30 more than doubled from R23.2m to R72.4m ($15.66m). The results were not comparable with the previous period due to a radical restructuring, but they reflect significant gains from South African operations in the September quarter.

After-tax profit of R52.7m was 129 per cent higher than 1995, but included an exceptional item of R27.6m from the cancellation of management contracts with Blyvooruitzicht and Unisel mines. Excluding the exceptional item, after-tax profit increased by 9 per cent.

Turnover fell 21 per cent from R75.51m to R59.80m following the disposal of First Wesgold mining company. Profit on the sale of investments was consequently higher at R37.9m compared with R254,000. No dividend was declared as Randgold had moved its year-end to March 31. The next financial statement will reflect the 18 months from October 1 last year.

Randgold's net asset value almost doubled to R1.9bn during the period, reflecting the rapid growth of Randgold Resources, its new business arm. The market value of Randgold's investment in its listed South African interests was about R144m.

Earlier this month, Randgold Resources acquired a controlling stake in the Syama Gold Mine in Mali from BHP Minerals Mali for $30m cash. The acquisition had wiped out the premium to net asset value of Randgold shares, which were trading at a discount to net asset value of about 18.5 per cent.

Mr Peter Flack, chairman, said the group's prime objective was "to eliminate the discount to NAV from the Randgold share price". Randgold had "moved our own goalposts" by buying Syama. The resources subsidiary would be listed before the first quarter of 1998 to raise cash to fund new business in Africa.

Randgold had become the first South African company to list on Nasdaq for 15 years. An issue of American Depositary Receipts, completed on October 4, had raised $48m from 7 per cent secured guaranteed bonds convertible into South African equity by 2001.

Mr Flack said the issue, which was designed to increase Randgold's tradeability, had been oversubscribed four times.

UBS cautions on debt provisions

By William Hall in Zurich

Union Bank of Switzerland has underlined the continuing problems of the Swiss economy by signalling that bad debt provisions this year will be higher than the SFr1.2bn ($951m) predicted only two months ago.

Switzerland's biggest bank, which does not publish third-quarter figures, reported yesterday that its third-quarter results were weaker than in the first two quarters of the year. Nevertheless, it said earnings for the first nine months of 1996 exceeded last year's full-year figure. The outlook remained "cautiously optimistic".

Like other Swiss banks, UBS has been hit by the problems in the domestic real estate market and an economic slowdown. In early August, it announced a 75 per cent increase in first-half provisions for bad debts to SFr804m. It warned then there was "no sign of the situation improving" in the near future and it expected provisions to remain high in the second half.

However, a month later, Mr Mathis Cabiallavetta, the group's new chief executive, was quoted as saying that he expected full-year provisions to be about SFr1.2bn, roughly in line with last year's figure. This led bank analysts to believe that the high-point in the group's bad debt provisions might have passed.

UBS did not elaborate on the reasons for its decision to take a more cautious stance on provisioning levels. It said there had been no improvement in the level of value adjustments, provisions and losses, which over all three quarters registered a significant increase against a year earlier. Credit risk provisions continued to relate almost exclusively to the Swiss loan portfolio.

Analysts are still expecting UBS to increase full-year earnings by about one-fifth in spite of its more cautious comments on its bad debt situation.

Morgan means more to raising equity

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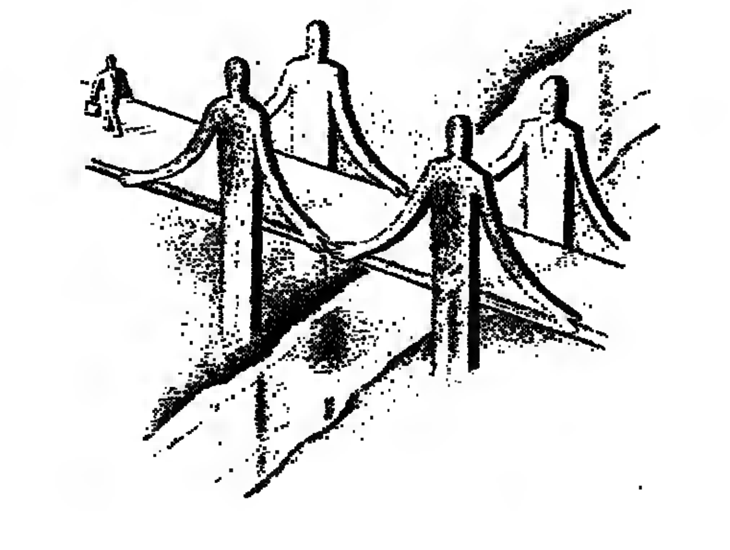

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CHEIL JEDANG CORPORATION
(formerly Cheil Foods & Chemicals Inc.)
(the "Company")

US$30,000,000 3 per cent. Convertible Bonds due 2006
(incorporated in the Republic of Korea with limited liability)

To the Holders of the Company's US$30,000,000 3 per cent. Convertible Bonds due 2006 (the "Bonds")

Notice to Bondholders of the modification of the Terms and Conditions of the Bonds

Notice is hereby given that Cheil Jedang Corporation (the "Company") has, pursuant to Condition 12(B) of the Bonds and with the agreement of Citicorp Trustee Company Limited, the Trustee for the Bondholders (the "Trustee"), amended the Terms and Conditions of the Bonds by a Supplemental Trust Deed dated 25 October, 1996, entered into by the Company and the Trustee. The following modifications to the Terms and Conditions of the Bonds have been made:

1. To provide for an additional option for Bondholders to redeem their Bonds (the "1999 Put Option") exercisable on 31 December, 1999 at a price calculated in accordance with the method referred to below plus accrued interest to the date of redemption.
2. To allow Bondholders who exercise their option to redeem their Bonds on 31 December,1996 (the "1996 Put Option") to subsequently revoke the notices of redemption by giving notice in writing to the Company at the specified office of any Paying and Conversion Agent during its normal business hours on or before 20 November, 1996 and the Company will consent to any such revocation. The preceding sentence serves as the written consent, in advance, as required by the Supplemental Trust Deed for any such revocation.
3. To amend the terms of Condition 7(B) to extend the period during which the Company's call option remains conditional upon the closing price of the Non-voting Shares of the Company and to incorporate protection for Bondholders against fluctuations in the Won/U.S. dollar exchange rate and in relation to the value of the 1999 Put Option.
4. To allow the Company to designate a purchaser or purchasers to purchase such Bonds as are deposited for redemption by the Bondholders under the 1996 Put Option or the 1999 Put Option, at the price at which such Bonds are to be redeemed plus accrued interest to the date of purchase.
5. The price at which the 1999 Put Option will be exercisable (the "1999 Put Price") will be calculated by Dongsuh Securities Co., Ltd. in accordance with the following formula

$$P_2 = \left(1+\frac{r}{100}\right)^3\left[P_1 - C\left(\frac{1}{(1+\frac{r}{100})}+\frac{1}{(1+\frac{r}{100})^2}+\frac{1}{(1+\frac{r}{100})^3}\right)\right]$$

Where: P2 = 1999 Put Price (expressed as a percentage of principal amount of the Bonds and rounded off to three decimal places)
P1 = 1996 Put Price (121.645 per cent of the principal amount of the Bonds)
C = Full Coupon (3.0 per cent per year)
r = (y+s) to be calculated on a 360 days per year basis as described in Rule 251.1 and Rule 803.1 of the Rules and Recommendations of the International Securities Market Association (or any substitute or successor thereof) and expressed as a percentage
s = spread of 65 bp over yield on the Reference 3 year U.S. Dollar LIBOR swap rate
y = Yield on the Reference 3 year U.S. Dollar LIBOR swap rate
The "Yield" on the Reference 3 year U.S. Dollar LIBOR swap rate for the purposes of y above, will be determined by Dongsuh Securities Co., Ltd. on the following basis:
(a) The "Yield" will be the offered 3 year U.S. Dollar LIBOR swap rate which appears on the display designated "GOTX" on the Reuters monitor (or such other page or service as may replace it for the purpose of displaying the offered yields on such Reference 3 year U.S. Dollar LIBOR swap rates) for the first quotation in the Reference 3 year U.S. Dollar LIBOR swap rate occurring on or after 10.00 a.m. (London time) on the Determination Date.
(b) "Determination Date" means 23 December, 1996
(i) Dongsuh Securities Co., Ltd. is to inform the Principal Paying and Conversion Agent of the 1999 Put Price by no later than 24 December, 1996.

It is for Bondholders to decide whether the 1999 Put Price adequately compensates them for deciding not to exercise the 1996 Put Option.

6. The Company will be unable to redeem Bonds at its option prior to 1 January, 2000, unless the Closing Price of the Non-voting Shares for each of 20 consecutive trading days, the last of which occurs not more than 30 days prior to the date upon which notice of such redemption is published: (i) is greater than 140 per cent of the Conversion Price in effect on such trading day; (ii) when converted into U.S. dollars on each of such 20 consecutive trading days (such conversion to be at the mean of the exchange rate quotations by Korea Financial Telecommunications & Clearing Institute in Seoul for buying and selling spot U.S. dollars against Won in respect of each such trading day), is greater than 140 per cent of the Conversion Price in effect on such trading day converted into U.S. dollars (such conversion to be at the rate of Won754.60 = U.S.$1.00) and (iii) when converted into U.S. dollars on each of such 20 consecutive trading days (such conversion to be at the mean of the exchange rate quotations as aforesaid) is greater than the 1999 Put Price (as defined in Condition 7(D)) multiplied by the Conversion Price in effect on such trading day converted into U.S. dollars (such conversion to be at the rate of Won754.60 = U.S.$1.00).

All Bondholders contemplating taking any action in respect of the matters contained in this Notice should seek independent advice as to their tax position and, if in any doubt, should also seek independent financial advice.

Notice is also hereby given, in accordance with Condition 14 of the amended Trust Deed, that the purchaser(s) designated by the Company, pursuant to Condition 7(E) of the amended Trust Deed as referred to in Clause 4 of this Notice shall be Dongsuh Securities Co., Ltd.

Bondholders who have any questions concerning the matters referred to in this Notice should contact Dongsuh International (Europe) Ltd., a subsidiary of Dongsuh Securities Co., Ltd, which is regulated by the SFA and is representing the Company in connection with these matters. Dongsuh International (Europe) Ltd. can be contacted at Livingstone House, 12 Finsbury Square, London EC2A 1AS, tel: 44171 638 7931, fax:44171 638 1707.

Copies of the Supplemental Trust Deed which implement the amendments are available at the specified offices of each of the Paying and Conversion Agents set out below.

PRINCIPAL PAYING AND CONVERSION AGENT
Citibank, N.A.
336 Strand,
London WC2R 1HB.

PAYING AND CONVERSION AGENTS

Citibank, N.A.	Citibank (Luxembourg) S.A.,	Citibank (Switzerland),
Boulevard General	58 Boulevard Grand-Duchesse	Bahnhofstrasse 63,
Jacques, 263g	Charlotte	CH-8021 Zurich
B-1050 Brussels	L-1330 Luxembourg	

October 29, 1996
Issued by: Cheil Jedang Corporation
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Phone +49/511/5604-0, Fax +49/511/5604-188

Dong-A Pharmaceutical Co., Ltd.
(Incorporated in the Republic of Korea with limited liability)

Notice of Bondholders' Additional Optioo to Redeem Bonds on 31st October, 1998
and
Right to Revoke Notices of Redemption

To the Holders of the Company's
U.S. $25,000,000
3¼ per cent. Convertible Bonds due 2006
(the "Bonds")
(Redeemable at the option of the Bondholders in 1996)

NOTICE IS HEREBY GIVEN that following the execution by Dong-A Pharmaceutical Co., Ltd. (the "Company") and Bankers Trustee Company Limited (the "Trustee") of a First Supplemental Trust Deed dated 10th September, 1996 which amended the Terms and Conditions of the Bonds (as more fully described in the notice to Bondholders which appeared in this newspaper on 11th September, 1996), Daewoo Securities Co., Ltd. has now calculated the percentage of principal amount at which Bonds to be redeemed on 31st October, 1998 will be redeemed (the "1998 Put Price").

The 1998 Put Price has been calculated by Daewoo Securities Co., Ltd. in accordance with the formula set out in the First Supplemental Trust Deed defined above and has been set at 134.109 per cent. of the principal amount of the Bonds.

All Bondholders contemplating taking any action in respect of the matters contained in this notice should seek independent advice as to their tax position and, if in any doubt, should also seek independent financial advice.

Copies of the First Supplemental Trust Deed which implements the above amendments are available at the specified offices of each of the Paying Agents set out below.

Paying Agents

Bankers Trust Company	Bankers Trust Luxembourg S.A.	Credit Suisse
1 Appold Street	P.O. Box 807	8 Paradeplatz
Broadgate	14 Boulevard F.D. Roosevelt	CH-8001 Zurich
London EC2A 2HE	L-2450 Luxembourg	Switzerland

29th October, 1996
Issued by: Dong-A Pharmaceutical Co., Ltd.

COMPANIES AND FINANCE: THE AMERICAS

Henkel bids $1.1bn for Loctite control

By Richard Waters in New York

Henkel, a German chemicals concern, yesterday revealed an unusual bid for control of a US corporation with the disclosure that it had offered DM1.7bn ($1.1bn) for the 65 per cent of Loctite it does not already own.

Representatives of the US company, which makes adhesives and industrial sealants, were unavailable to respond early yesterday to what appeared to be a rare hostile bid from across the Atlantic.

Henkel, the world's biggest maker of industrial and consumer glues, has owned a minority stake in Loctite for many years. At the weekend, Mr Hans-Dietrich Winkhaus, the German company's chairman, met Mr David Freeman, Loctite president and chief executive officer, to propose a purchase of the remaining 65 per cent. Henkel said.

Henkel added that it had offered to pay $56 a share for the stake – $10 above the level at which they ended last week. The news, and the possibility that Loctite would attract a still higher offer, fuelled a 24 per cent rise in the company's shares yesterday morning in New York, to $57¾.

Henkel's decision to make its interest public was seen as an attempt on Wall Street to put pressure on Loctite directors to agree to a sale. Directors of US companies find it difficult to escape such so-called "bear hugs" without running foul of their fiduciary responsibilities to shareholders.

"We have offered to take up negotiations with Loctite with the aim of a speedy and friendly takeover," the German company said. It added that it would proceed with a public offer if this friendly approach failed. Henkel added that it had no plans to sell its existing, minority stake in Loctite.

The bid comes at a vulnerable time for Loctite, which had seen its share price sag from a high of nearly $54 six months ago. The company's sales were flat in the first six months of this year, after advancing by 12 per cent to $785m in 1995. It has blamed the failure to grow in part on the slack economy in Europe, from where it derives about 40 per cent of its revenues.

Loctite, which makes adhesives for both the industrial and retail markets, has also had no growth this year in North America, where it generates 37 per cent of sales.

Standard & Poor's, the US credit rating agency, warned that borrowing to finance a share purchase could weaken Henkel's financial condition. It added, though, that the proposed purchase would "strongly reinforce" Henkel's strongest business.

McDonnell abandons plans for new jetliner

By Christopher Parkes in Los Angeles

McDonnell Douglas has scrapped plans to develop a large jetliner to compete with market leaders Boeing and Airbus. The decision will again raise questions about the aerospace group's future in the commercial sector.

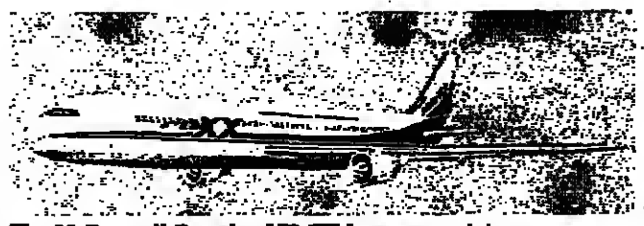
After reviewing a six-month engineering study, the board decided the risks of the $3bn MD-XX project were too great, officials said.

The cancellation of the project, which included options to extend the flying range or increase the passenger capacity of the 300-seat MD-11, leaves McDonnell without an aircraft with which to compete effectively for a share of the fast-growing markets in Asia and Latin America.

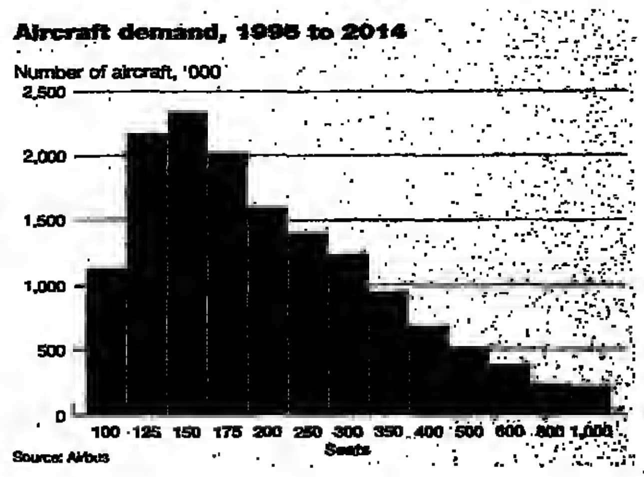
Plans for the new MD-11 included a wider-bodied version with the same number of seats and a 20 per cent increase in range to 8,500 miles, as well as a stretched variant with 75 more seats.

Officials rebutted suggestions that the company, which has seen its share of the world commercial jet market shrink by half to 10 per cent since 1990, might be obliged to quit the business.

A spokesman refused to discuss the possibility of merger talks, such as the



The McDonnell Douglas MD-XX long range jet



negotiations broken off earlier this year with Boeing.

"We will stay in the market with the MD-11 for now while we look at other options," an official said. Longer-term development work was still under way on a futuristic aircraft with a blended wing and body configuration, for example.

Production rates were increasing, and the MD-11, the biggest aircraft in the current range, had recently been boosted by an order from Lufthansa, the German flag carrier.

McDonnell's commercial aircraft unit, based in Long Beach, California, is still profitable. Operating income more than doubled to $90m in the first nine months of this year on revenues down from $3bn to $1.9bn.

AMERICAS NEWS DIGEST

Warner Music sheds more jobs

Warner Music is making 20 people redundant by shedding just over a third of the staff at the black-music division of its Warner Bros label, in the latest of a recent spate of job losses in the global music industry. A few weeks ago Warner announced 60 redundancies at Atlantic, one of its larger record labels. The latest cutbacks come days after PolyGram, the Dutch entertainment group which is one of its arch-rivals, issued a profits warning and announced 400 job losses at its record labels.

The job losses reflect the increasingly competitive condition of the global music market. In the US, still the largest source of record sales, supermarket price cutting has forced several record chains into financial problems. At the same time sales have slowed in several European countries, and the Asian market has been adversely affected by a resurgence of piracy.

The impact of the sales slowdown has been accentuated by rising costs within the music industry as the cost of clinching long-term deals with star artists has soared.
Alice Rawsthorn

Merrill announces new chief

Merrill Lynch, the large US brokerage and investment bank, yesterday announced its succession plans, following the retirement of Mr Daniel P. Tully, chairman and chief executive officer, at the end of the year. Mr David H. Komansky will take up the post of chief executive officer in December, and is expected to take over the chairmanship in April.

Mr Komansky, aged 57, is currently president and chief operating officer. Previously, he ran the company's debt and equity businesses, areas in which Merrill Lynch has a dominant market position. Mr Herbert M Allison Junior, aged 53, is widely tipped as the next chief operating officer. He is currently executive vice-president of the institutional client group, which involves running investment banking, debt and equities.

Separately, Merrill announced the appointment of a new London-based director to its board of directors. Mr David Newbigging, chairman of Equitas Holdings and retired chairman of Jardine Matheson will join the 14 member board.
Tracy Corrigan, New York

Femsa meet expectations

Femsa, Mexico's largest drinks company, last week reported improved third-quarter sales and profits, in line with expectations. Third-quarter sales rose 4.6 per cent to 4.49bn pesos ($565m). Operating profits increased 12.2 per cent to 395m pesos, and net profits 63 per cent to 448m pesos.

Femsa has maintained its market share for beer and increased its participation in Mexico's soft drink market. Nine-month sales at the company's beer division, Femsa Cerveza, which accounts for 44 per cent of revenues, edged down by 1.8 per cent, in spite of a 6 per cent rise in volume on the domestic market. In spite of the declining peso, beer exports rose only 4.4 per cent and represented just 6.7 per cent of the division's sales.

Coca-Cola Femsa, the group's soft drink division, which contributes 38 per cent of total sales and is independently listed, also marked a slight drop in sales for the first nine months of 1996 combined with a rise in volume.
Daniel Dombey, Mexico City

Kellogg to set up new division

Kellogg, the US breakfast cereal company suffering the effects of a price war in the US market, yesterday said it was setting up a new division to capitalise on the growing trend towards so-called functional foods – products with added fibre, vitamins or other nutrients that purport to bring health benefits to consumers.

The company cited its All-Bran cereal as one product that already offered health benefits. Dr William Meyer, appointed president and general manager of the new division, said: "With the ageing of consumers around the world, there will be an increasing demand for foods that can help prevent and manage disease."

Functional foods such as bacteria-fortified yoghurts are already big sellers in Europe and Japan, but are a relatively recent phenomenon in the US. Last month Campbell Soup, the US food company, announced plans to set up a mail-order division that will deliver frozen meals purporting to combat high blood pressure, high cholesterol and diabetes. The Campbell Soup programme, called Intelligent Cuisine, costs $79.95 for 21 meals, including shipping and handling. Subscribers are told they must stay on the programme for 10 weeks to experience its benefits.
Richard Tomkins, New York

Microsoft and Intel in plan for low-cost 'NetPC'

By Louise Kehoe in San Francisco

Microsoft and Intel, the world's largest software and microprocessor groups, plan to develop jointly low-cost "NetPCs" which they say will be significantly cheaper to administer than standard personal computers.

Leading PC manufacturers – including Compaq, Dell, Digital Equipment, Gateway 2000, Hewlett-Packard, Packard Bell and Texas Instruments – have announced plans to manufacture NetPCs, which are expected to be shipped next year.

NetPCs are for use with repetitive tasks – such as order entry or airline seat reservations – which do not require the flexibility or ability to expand of a traditional PC.

They are a direct response by the PC industry to the competitive challenge of network computers (NC) that have been widely promoted by Mr Larry Ellison, chairman and chief executive of Oracle, as a lower cost alternative to PCs.

By announcing the NetPC initiative, supporters of the Microsoft/Intel machines also aim to pre-empt Sun Microsystems' planned introduction of low-cost "JavaStation" NCs today.

The move represents a reversal by Mr Bill Gates, Microsoft chairman, who has previously dismissed the NC as a step backwards in technology that would not have broad appeal.

However, large businesses that are increasingly concerned about the rising costs of administration and support of PCs linked to corporate networks have expressed strong interest in NCs. Sun claims that the cost of its JavaStations will be about $2,500 a year, about a quarter of the estimated annual costs of running a PC on a corporate network.

Similarly, the NetPC will be less expensive to support and administer, said Mr Pat Gelsinger, Intel vice-president. NetPCs would also work alongside and be compatible with existing PCs and network servers, he said.

The NetPC will run standard PC software. Microsoft will provide a new version of its Windows operating system with built-in "zero administration" features aimed at reducing running costs.

Apple Computer yesterday introduced two new products in the Newton range – one for school children and another for office workers, writes Lousie Kehoe. The new machines incorporate PC-like features and are less dependent upon the handwriting recognition technology that proved to be the downfall of earlier generations of Newton products.

The new office Newton, called the MessagePad 2000, includes Internet features such as electronic mail and access to the World Wide Web as well as built-in word processing and spreadsheet applications. It will be priced at about $1,000 in the US.

The eMate 300, aimed at elementary and high school students, is designed as a companion to an Apple Macintosh or Windows PC. It will allow students to work anywhere, and is expected to sell for about $800.

The new Newtons are "proof of Apple's continuing commitment to innovation", said Mr Gil Amelio, Apple president and chief executive.

Banco do Brasil aims to shake off past

Restoring the bank to health will be a slow process, writes Jonathan Wheatley

Third-quarter profits of R$124m (US$120.8m) may sound modest for Latin America's biggest bank, but after first-half losses of R$7.8bn Banco do Brasil has reason to be satisfied.

Its performance since July confirms it has turned the corner after years of dubious management and political interference. Shaking off the past will, however, take time.

"The bank's new managers are doing an excellent job, absolutely phenomenal," says Mr Rodrigo Fiães, an analyst at investment bank Icatu in Rio de Janeiro. "But they can't wave a magic wand."

Like many of Brazil's public-sector banks, Banco do Brasil for years concealed the true state of its assets by under-provisioning for bad loans. Its new managers, brought in in February 1995, may have been surprised by the size of the hole they discovered in the accounts.

Part of their solution was an R$8bn capitalisation issue in May this year. The new shares were wildly overpriced and the issue flopped, forcing the national Treasury to increase its holding from 39 per cent of the bank's total capital (including 51 per cent of voting stock) to 73 per cent. But such a radical measure convinced many analysts that Banco do Brasil's previously opaque accounts were now transparent.

Mr Carlos Gilberto Caetano, financial director, is currently cementing that impression by touring local branches of Brazil's market analysts' association, Abamec. His first presentations last year broke 10 years of silence.

A more fundamental challenge than opening the bank's accounts is to trim its bloated operational structure and develop new business areas. A voluntary redundancy programme helped cut staff numbers from 150,000 in mid-1994 to 106,000 this June. About 100 of its 3,000 branches closed last year; more will follow.

"The restructuring programme now in place is designed to put all our branches into profit," Mr Caetano says. "Those that are not in profit by the end of 1998 will close."

The bank scored some early successes with departures into new services. A private pension plan and mutual fund launched last year are both second-biggest in the market in terms of stock, owing largely to the bank's high visibility and large branch network, but also to good management, analysts say. In the third quarter, the bank covered 30 per cent of its administrative costs from service fees, up from 26 per cent in the first half and 12 per cent a year earlier.

Other changes will take longer. Banco do Brasil provides 85 per cent of all farm lending in the country. Reducing this exposure is unlikely to produce significant results in less than 10 years. Adjusting the bank's salary structure will also be a slow process.

Nor will Banco do Brasil's legacy of bad debts disappear overnight. Its rate of non-performing loans is 28 per cent, compared with 5.7 per cent at Banco Itaú, a private-sector rival. Mr Caetano says the "current" rate – that is, past-due payments in the past month – is 2.7 per cent, but accepts the underlying rate will remain "uncomfortable" for the next two years.

Meanwhile, it may be hard for the bank's shares to attract attention from all but the most adventurous investors. Volumes were equivalent to $287,000 a day over the past month; last year, daily volumes of $1m to $1.5m were common. Persuading foreign investors to look beyond the big three Brazilian private banks – Bradesco, Itaú and Unibanco – will call for long-term improvement on this quarter's encouraging start.

COMPANIES AND FINANCE: ASIA-PACIFIC

Operating result hit by soaring fuel prices and strong currency

Singapore Airlines down 11% halfway

By James Kynge in Kuala Lumpur

Singapore Airlines, the national flag-carrier, yesterday announced disappointing first-half earnings, as it suffered from escalating fuel prices, the strong Singapore dollar, and a soft cargo market.

Group net profit rose 7.2 per cent to S$561m (US$398m), but operating profit for the six months to September 30 fell 11.4 per cent to S$468m. Group revenues climbed 4.6 per cent to S$3.53bn, and the gross dividend was 7.5 cents. The net profit was lifted by a large gain from the sale of aircraft and spares.

"It was a difficult first half, which saw the airline buffeted by escalating fuel prices, depreciating currencies like the yen and D-Mark, and soft cargo markets," Mr Cheong Choong Kong, chief executive officer, said.

The fundamentals of the business were hit. Overall yields – the net revenue per unit (both passengers or cargo) – declined 6.7 per cent as fuel costs rose sharply and the value of earnings overseas fell in Singapore dollar terms.

The fall in unit costs – 2.3 per cent – was slower than the fall in yields, meaning the break-even load factor climbed 3 percentage points to 65.4 per cent for passenger flights.

The outlook for the second half remained problematic. "Passenger traffic is expected to remain strong, but yields will still be under pressure from keen competition and the strong Singapore dollar," the airline said.

The airline's share price was the biggest loser on Singapore's stock exchange yesterday, falling S$1 to S$13. Some analysts revised down their forecasts for the whole year, with some predicting that the airline's net profit would fail to make the S$1bn mark in 1996-97. It reported a net profit of S$1.03bn in 1995-96.

No significant surplus from the sale of aircraft was envisaged in the second half.

The airline said that between April and September, it took delivery of two Boeing 747-400s and four Airbus 340-300s, and sold four Boeing 747-200s and one Boeing 737-300 freighter.

The group's underlying financial position remains strong. Shareholder funds stood at S$10.28bn on September 30, a rise of 9 per cent from a year ago.

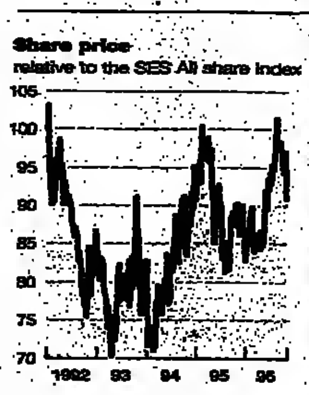
PROFILE

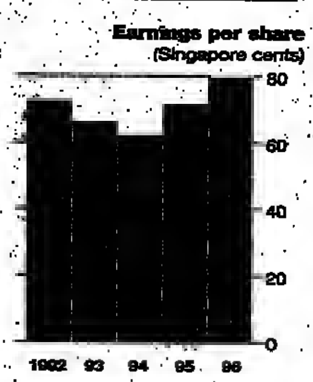
Singapore Airlines

Market value: S$11.76bn | Main listing: Singapore

Historic P/E	9.51
Gross yield	2.96%
Earnings per share	S$0.80
Current share price	S$13

Cheong Choong Kong, CEO





Source: Extel, Datastream, Reuter

Ayala Land solid amid unease

By Edward Luce in Manila

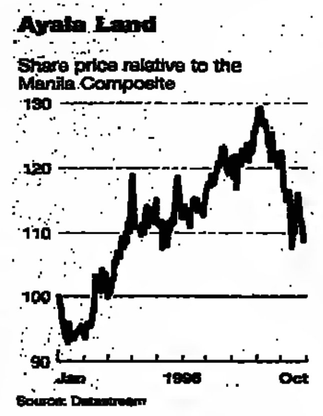
Ayala Land, the Philippines' largest property company, said net profits grew 34 per cent to 3.2bn pesos (US$124.5m) in the first nine months of 1996, in spite of fears of a downturn in the Philippine property market.

But the results, which mean that Ayala is on track to achieve full-year profits of 4.4bn pesos, failed to stem the decline of its shares, which have fallen almost 15 per cent in the past month. Ayala's B shares, which are open to foreign buyers, closed 1.5 pesos down yesterday at 25.5 pesos.

"There is a lot of negative sentiment in the market at the moment about the Philippine property sector," said Mr Colbert Nocom, analyst at ING Barings in Manila. "We think that Ayala is being unfairly penalised by the pessimists because it is by far the healthiest property company in the Philippines."

The company, which lifted net revenues 26 per cent to 9.6bn pesos, said strong growth on all fronts had contributed to the earnings performance. Lot sales in the residential, commercial and industrial sectors led the way with a 38 per cent rise.

Most of Ayala's flagship projects, including the new stock exchange tower in Makati, Manila's business district – which posted a 100 per cent occupancy rate – also performed well. Sales of residential lots at Southvale village, an up-market housing project in Manila, grew 77 per cent to 3.62bn pesos.



Source: Datastream

The company, which is about to pre-sell condominium units at its Roxas luxury property development in Makati – a joint venture with Hongkong Land – also posted healthy growth in its middle-income housing projects. The sale of lots at the Madrigal business park and Laguna Technopark also grew strongly, the company said.

Some analysts, however, expressed concern that Ayala's net earnings actually dropped 4 per cent from the first six months of 1996. But the company, whose shares are trading at a 50 per cent discount to net asset value – considered a good indicator of property stocks – said it had postponed big sales until the fourth quarter, to exploit the seasonal rise in prices.

"If the property market does crash in the next few months, Ayala would be well placed to withstand the ill-effects," Mr Nocom said.

KDD forced to cut profit forecasts

By Michiyo Nakamoto in Tokyo

KDD, Japan's leading international telecommunications operator, has revised downward profit estimates because of weak demand and the impact of rate cuts introduced in the summer.

The company expects recurring profits in the six months to September to be Y14.5bn ($127.9m), rather than Y17bn as initially forecast, because of weaker than expected demand for international call services and the impact of discounts it launched to improve international competitiveness.

Net profits are likely to be Y8.3bn, rather than Y9bn as forecast earlier. Sales for the half-year will be Y166.5bn, rather than Y170bn.

For the full year, KDD expects full-year recurring profits to be Y27bn, rather than the Y32bn forecast, on sales of Y337bn, compared with Y343bn. It sees net profits at Y13.5bn compared with a forecast of Y16bn.

The company blamed slower than forecast growth in the international call market, in part because of sluggish economic recovery. KDD's international calls are estimated to grow 9 per cent for the year, rather than at its earlier estimate of 11 per cent.

The impact of volume discounts is likely to be Y1.4bn in the first half, rather than Y800m.

Philippine SE moves toward self-regulation

By Edward Luce

The Philippine Stock Exchange has voted through a series of reforms which will enable it to become self-regulatory on November 12.

The move, which comes after months of often arcane wrangling, brings the Philippine regulatory framework into line with the system in New York. It is expected to send a positive signal to foreign investors.

The PSE, which says the move is part of a drive to shed its reputation for managing a closed shop for local brokerage houses, says the change in status will help modernise the market and put overseas investors on an even footing with their local counterparts.

"We wanted to show that we are a transparent exchange and not a private club," said Mr Wilson Sy, chairman of the 15-member board of directors. "We want to create more confidence among foreign investors and to show that we can professionalise the PSE."

Foreign brokers, however, say the move – which will enable the PSE to elect three non-brokers to the board of directors and give more power to the PSE's surveillance department to root out insider trading – is not enough.

Overseas broker houses, which form a significant minority of the 180 exchange members, say the PSE remains an opaque institution run by a cabal of mainly Chinese-Filipino brokerages.

"A lot more needs to be done to make the PSE the professional and transparent place it claims to be," one foreign broker said.

Philippine officials say the change in regulations will give the surveillance department the right to audit brokerages at any time without having to request permission from the board of directors. The department's power to investigate share price irregularities will also be strengthened.

Under the changes, which give the PSE autonomy from the day-to-day interference of Manila's Securities and Exchange Commission, two non-brokers will be elected to the board. These are expected to include one mutual fund manager and one company executive. Their election, which will take place after November 12, is expected to dilute local brokers' stranglehold over policymaking. The third non-broker is the president of the board.

"The reason these reforms are going through is because the globe is getting very small nowadays," said Mr Vitaliano Nanagas, recently appointed president of the PSE. "If we don't compete for foreign funds, nothing will come our way."

With many foreign investors moving out of Philippine stocks in the past few weeks, on fears of a downturn in the country's property sector, few believe the reforms will reverse the tide. But many, including foreign investors themselves – who make up about two-thirds of the PSE's daily turnover – say the move is at least a step in the right direction.

Nocil unit seeks tie-up

By Tony Tassell in Bombay

National Organic Chemical Industries (Nocil), the Indian group, plans to spin off its petrochemicals operations into a joint venture with a multinational company.

Nocil said Arvind Mafatlal was talking to five international petrochemical industry leaders about a joint venture as part of its efforts to finance expansion.

For the past two years Nocil has been planning a Rs46bn ($1.2bn) expansion of its plant at Thane, near Bombay, which will include a greenfield cracker project. However, it has been unsuccessful in raising finance through debt or equity issues.

Nocil said a majority stake in the proposed joint venture may be offered to the foreign partner, although details had not been decided. It said petrochemicals accounted for about half of total turnover.

The company made net profits of Rs911m in the year to March 1996, on sales of Rs10.3bn.

ANZ Bank

Australia and New Zealand Banking Group Limited

Australian Company Number 005 357 522

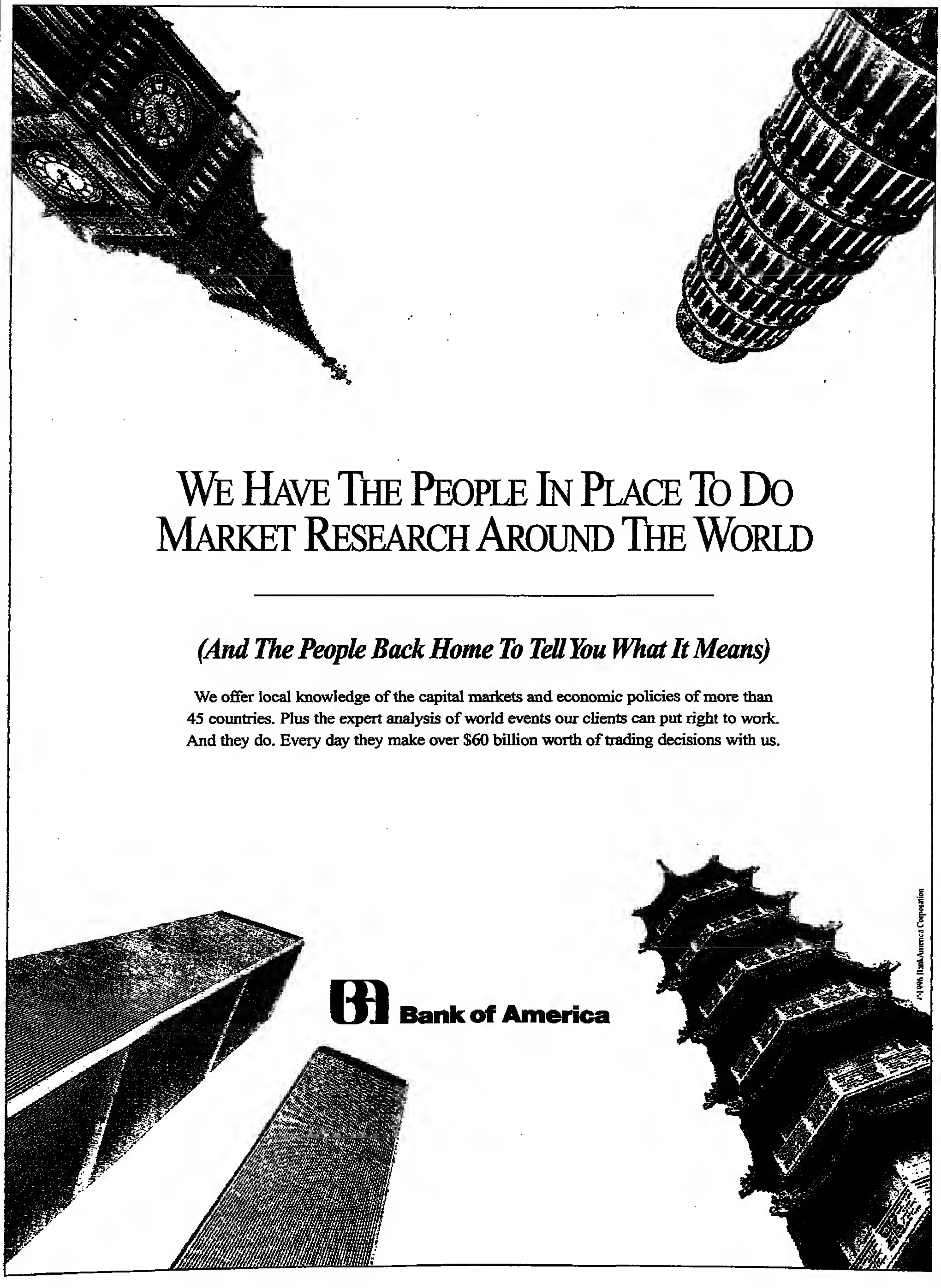
(Incorporated with limited liability in the State of Victoria, Australia)

U.S. $250,000,000

Subordinated Floating Rate Notes due 2000 of which U.S. $140,000,000 is being issued as the Initial Tranche and U.S. $70,000,000 is being issued as the Second Tranche

Notice is hereby given that for the Interest Period 28th October, 1996 to 28th April, 1997 the Notes will carry a Rate of Interest of 6.14063 per cent. per annum with an Amount of Interest of U.S. $3,104.43 per U.S. $100,000 Note. The relevant Interest Payment Date will be 28th April, 1997.

Bankers Trust Company, London — Agent Bank



Pressure off UTI to sell equity portfolio

By Tony Tassell in Bombay

The Unit Trust of India, the country's biggest mutual fund organisation and largest investor, has signalled that the pressure on it to sell shares to meet redemption payments has eased.

UTI said redemptions dropped sharply in the first quarter to September 30, to Rs14bn ($393.3m) from Rs26bn in the same period last year. The news is likely to offer some relief to the indian share market, given UTI's dominance of it.

The trust bolds an equity portfolio equivalent to 9 per cent of the market capitalisetion of the Bombay Stock Exchange. However, for much of the past two years this traditional supporter of the market has been e net seller of indian equities because of heavy redemption pressures. Redemptions totalled Rs108bn in 1995–96 and Rs125bn in 1994–95.

UTI's sell-down has been an important factor behind the slump in the market over the past two years. The market indicator, the BSE 30 index, fell from a high of 4,643 in September 1994 to e low this year of 2,820 in January, although it has since rebounded above 3,250.

Mr Jagdish Capoor, chairman of UTI, said heavy redemptions over the past two years had been driven by tight liquidity conditions in the Indian economy and tax regulation changes whicb made investment in mutual fund schemes less attractive to corporations.

"Since July, the pressure has easad considerably. Redemptions have been much less," be said.

Mr Ramnath Iyer, analyst witb brokers Peregrine India, said the reduction in redemptions was good news for the share market. "UTI may still remain marginal net sellers in the market, but they will not be the aggressive sellers they were last year," be said.

Mr Iyer said if UTI selling slowed, prices mey be pushed up by a shortage of supply. "UTI is traditionally the first port of call for anyone wanting Indian stocks. If they are not selling, the buyers will find it more difficult to pick up stock," he said.

The fall in redemptions comes as UTI finalises plans for a restructuring designed to separate its mutual fund operations from retail banking, broking, credit rating and custodial services.

The move is a response to criticism about the transparency and accountability of its operations, and to a challenge to its dominance of the Indian share market by an increasingly competitive mutual fund industry and inflows of foreign investment.

Mr Capoor said a holding company would be set up to hold stakes in UTI's various operations. The company would then establish an asset management company to run the mutual fund operations on an "arm's length" basis. Shares in the bolding company are likely to be offered to Indian financial institutions and the government.

Talks are continuing with Japanese group Nomura over a broking venture, and UTI is planning an offshore index-linked mutual fund with Swiss bank SBC Warburg.

HK groups in fundraisings

By Louise Lucas in Hong Kong

Two Hong Kong companies involved in China property developments have unveiled details of share offerings timed to capitalise on the surge of liquidity and bullish sentiment in the Hong Kong market.

The first, Concord Land Development, is being spun off from Pacific Concord Holdings, e diversified manufacturing and telecoms company. It is looking to raise about HK$1.1bn (US$142.3m) through the sale of new and old shares.

China Resources Beijing Land, the China property arm of China Resources, the mainland-backed conglomerate listed in Hong Kong, will follow a day later with a HK$708m fundraising.

Concord Land Development is offering 300m shares et a price of between HK$3.34 and $3.96. Some 15 per cent of the stock will be sold through an initial public offering (IPO) which kicks off in Hong Kong today. Dealing in the shares is scheduled to start on November 7.

Net proceeds will be spent on shopping mall developments in Chinese cities. According to the company prospectus, it will have total net tangible assets of between HK$6.7bn and HK$6.84bn, giving a net asset value per share of between HK$5.58 and $5.70.

China Resources Beijing Land is also issuing 300m shares, but in a price range of HK$2.18 to HK$2.36. The maximum would put the stock on a prospective price/earnings ratio of around nine times. The price will be fixed on Friday and dealing in the shares is expected to begin the following Friday.

Some 85 per cent of the shares are to be placed internationally, with the balance sold to Hong Kong investors. There is a "greenshoe" overallotment option on the IPO, to 30 per cent of the total, with a corresponding reduction in the international placement.

Western music makers hit sour note in Asia

Piracy and sluggish demand have slowed growth in the region

The aisles of the gleaming new HMV record store on the top floor of an Osaka shopping centre are crammed with Japanese teenagers, browsing through the racks or glancing et giant video screens.

HMV's expansion in Japan, and other Asian countries, together with that of rival western record chains Tower and Virgin, helped turn Asia into one of the most dynamic areas of the global music market in the early 1990s.

The multinational entertainment groups that dominate the industry hoped Asia would show strong growth for the rest of the decade. However, music sales stalled in several countries, including Hong Kong, Singapore and South Korea, during the first half of 1996, reflecting sleck demand and rising piracy in parts of the region.

Asia has never been an easy area for multinational record companies. Japan is well established as the world's largest music market after the US, but until recently other countries in the region were closed to foreign record companies because of restrictions on inward investment.

As those restrictions have been lifted the multinationals have moved in. Japan's Sony, PolyGram of the Netherlands, and the UK's EMI have built on existing interests in the region. Warner of the US and Germany's Bertelsmann have expanded their activities there.

These companies have had some success at introducing western superstars to Asia, notably Sony's Mariah Carey and EMI's Spice Girls. However, most of the market'a growth has been driven by indigenous artists, snch as Dadawa, the Chinese singer signed to Warner, and Jecky Cheung, PolyGram's Hong Kong superstar known as "The God of Songs".

Home-grown talent: PolyGram signing Jacky Cheung

The record companies' expansion, coupled with that of HMV, Tower and Virgin, has led to improvements in Asian music distribution and to a crackdown on piracy. As a result, retail sales of albums and singles in Asia rose 87 per cent from $5.15bn in 1991 to $9.62bn in 1995, according to the International Federation of the Phonographic Industry. Global music sales rose 46 per cent over the same period, from $27.17bn to $39.68bn.

Asia is invariably cited as one of the most promising regions in analyses of the industry's long-term prospects. A recent study in Music Business International magazine predicted that its share of the global market would increase from 21.6 per cent in 1995 to 28.9 per cent by 2000, with North America's share falling from 35.4 per cent to 27.5 per cent, and western Europe's from 33.9 per cent to 30.2 per cent.

The first-half slowdown in Asian music sales has cast a cloud over those forecasts. The only Asian markets to sbow significant growth in the first six months of 1996 were the Philippines, Malaysia and Indonesia. Sales slowed in Japan, and fell in real terms in Hong Kong, Singapore, South Korea and Thailand.

It is too soon to tell whether this sluggishness will herald a prolonged slowdown. One positive sign is that economic growth in the rsgion is still robust. Another is that the expansion of local music media, with MTV relaunching its Asian service to compete with Mr Rupert Murdoch's Channel [V], should continue to stimulate interest in music, particularly among young consumers.

Further, there are still new markets for the multinationals to exploit. PolyGram and Bertelsmann took majority stakes in indian companies last year, when investment restrictions were eased. Warner recently invested in Indonesia, and Sony is seeking government approval to follow suit.

The most promising market, China, may also be the hardest to crack. At present, all record companies operating there are under strict government control. Mr Norman Cheng, president of PolyGram Far East, is hopeful China will aventually open up to foreign investment, but is aware that "things can take a long time to happen there".

China has also emerged as one of the largest sources of pirated recordings, which are blamed for the first-half slowdown. Mr Martin Davis, bead of Sony Music Asia, blamed increasing availability of unauthorised recordings for the decline in legitimate music seles in Thailand and Hong Kong. Singapore has also seen legitimate sales fall, es piracy has risen.

The US government is taking a tough line on Asian music piracy, and European record companies have pressed the European Commission to follow suit. However, western executives are braced for e long struggle against the Asian cassette pirates. One said he feared they would be "e thorn in our sides" into the next century.

Alice Rawsthorn

ASIA-PACIFIC NEWS DIGEST

IHI forecasts flat results for year

Ishikawajima-Harima Heavy Industries, the Japanese aerospace, defence and engineering group, yesterday reported a slight fall in profits for the six months to September and forecast flat earnings for the full year.

IHI's recurring profit before tax and extraordinary items fell 2.1 per cent from the first six months of last year, to Y11.06bn ($97.5m), on almost flat turnover of Y396.22bn. Net profits, however, rose 8.3 per cent to Y6.56bn. It blamed the fall in recurring profits on the costs of streamlining its shipbuilding unit. A tiny sales increase was attributed to stronger demand for machinery from paper and pulp making companies. The group forecast a decline in sales of nearly 2 per cent, to Y840bn, in the year to March, because of the slowdown in orders for nuclear reactors. It expects this to be struck on a small increase in recurring profit, to Y25bn, and unchanged net profit of Y13bn. The figures represent a slight upgrading of earlier forecasts, from an initial Y22bn of recurring profit on sales of Y890bn. The revisions are based on higher than expected profits on exports, after the yen's depreciation, and increased engineering repair orders. *William Dawkins, Tokyo*

ANZ dismisses takeover talk

Australia and New Zealand Banking group (ANZ), one of the country's "big four" commercial banks, yesterday denied a local newspaper report that it was considering a merger with London-based Standard Chartered.

"Whilst we do not normally comment on rumours and speculation regarding mergers or acquisitions, the very specific nature of the article requires this definite denial," it said. ANZ stressed it was not "investigating or discussing" any merger plans with Standard Chartered.

The speculation is the latest in e wave of bid rumours to hit the Australian banking sector. Under the previous Labor government, the four national banks were viewed as secure from takeover. However, the new conservative Liberal-National government has set up an inquiry into the industry. This is expected to review merger constraints when it reports next year.

Already, ANZ and Westpac – which are seen as the most vulnerable to predators – have ettracted takeover talk. ANZ shares closed 4 cents higher, at A$7.20, while Westpac rose 13 cents to A$6.89. *Nikki Tait, Sydney*

Goodman Fielder sees upturn

Goodman Fielder, Australia's largest food group and the focus of institutional investor concerns because of its flat profits performance, has forecast an improvement. "The market will remain tough, bnt our success in strengthening the company thus far gives me confidence that we will improve our results in the coming year," Mr David Clarke, chairman, said. In 1995-96, Goodman made A$100.7m (US$79.7m) after tax but before abnormals. *Nikki Tait*

Export growth buoys NSK

NSK, Japan's largest manufacturer of ball bearings, more than doubled first-half pre-tax profits, helped by an improvement in productivity and costs and strong overseas demand. The company, which is strong in ball screws for machine tools, lifted parent pre-tax profits by 126 per cent to Y8.25bn ($72.7m), while net profit rose 110 per cent to Y4.95bn. The gains came on sales up just 3 per cent to Y177.16bn.

NSK said domestic business fell slightly, mainly because of the downturn in demand from electric machinery makers, which have shifted a considerable amount of their manufacturing overseas. However, demand from the rest of Asia was buoyant, lifting exports 15 per cent. For the full year, the company expects a rise in pre-tax profits to Y15bn on moderately higher sales of Y355bn. *Michiyo Nakamoto, Tokyo*

Output setback at Grasim

Grasim Industries, one of India's leading industrial companies, said output fell in the six months to September, except in the cement and sponge iron divisions.

Viscose staple fibre production in the half totalled 69,652 tonnes, down 8.39 per cent, while output of rayon grade wood pulp fell 6.56 per cent to 55,811 tonnes. Caustic soda output was 8.22 per cent lower at 52,795 tonnes. Cement output, however, totalled 2m tonnes, up 44 per cent; production of sponge iron output rose 63 per cent to 381,157 tonnes. Analysts expect Grasim's net profit for the six months to September to fall 10–15 per cent, from Rs1.68bn ($47.2m) e year earlier. *AFX-Asia, Bombay*

Shangri-La in Burma deal

Shangri-La Hotel, the Asian hotel and property development company, will pay $12.1m for a 28 per cent stake in Burma's Traders Square, which has a contract with Burma's defence ministry to develop a commercial complex in Rangoon. *Ted Bardacke, Bangkok*

J.P. Morgan wishes to thank the speakers and guests at our

Asian Issuer-Investor Conference

held October 6th-15th in Hong Kong, Manila, Jakarta, Bangkok, New Delhi, and Bombay and sponsored by our Global Fixed Income Group.

Speakers:

Advanced Info Service Public Company Limited
Asia Pulp and Paper Co. Ltd.
Bank of Ayudhya Public Company Limited
Bank Indonesia
P.T. Bank Internasional Indonesia
P.T. Bank Negara Indonesia
China Light & Power Company, Limited
Electricity Generating Authority of Thailand
First Gas Holdings
ICICI Securities and Finance Company Limited
Industrial Credit and Investment Corporation of India Ltd.
Industrial Development Bank of India
The Industrial Finance Corporation of Thailand
The Korea Development Bank
Korea Electric Power Corporation
Krung Thai Bank Public Co., Ltd.
Mass Transit Railway Corporation
Ministry of Finance, People's Republic of China
P.T. Mulie Industrindo
P.T. Mulialand
PCI Bank
Philippine Long Distance Telephone Company
P.T. Polysindo Eka Perkasa
Reliance Industries Limited
Reserve Bank of India
San Miguel Corporation
The Siam Commercial Bank Public Company Limited
SM Prime Holdings Inc.
Steel Authority of India Ltd.
The Tata Iron and Steel Co., Ltd.
Tenaga Nasional Berhad

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MEDIOBANCA

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HEAD OFFICE: VIA FILODRAMMATICI 10, MILAN, ITALY

The Bank's Annual General Meeting, held in Milan on 28th October 1996, adopted the following

BALANCE SHEET AS AT 30TH JUNE 1996

ASSETS

		Lit.
CASH AND DEPOSITS WITH CENTRAL BANKS AND POST OFFICES		109,620,476
GOVERNMENT AND QUASI-GOVERNMENT SECURITIES ELIGIBLE FOR REFINANCING AT CENTRAL BANKS		4,294,231,363,249
AMOUNTS DUE FROM BANKS:	Lit.	
Deposits repayable on demand	301,238,792,212	
Other accounts	1,646,405,582,730	
		1,947,644,374,942
LOANS AND ADVANCES TO CUSTOMERS		19,871,621,170,208
DEBT SECURITIES ISSUED BY:		
Public agencies	120,387,867,660	
Banks	98,031,835,256	
of which: Own securities Lit. 55,067,500,000		
Financial companies	18,000,000,000	
Other issuers	29,170,747,016	
		265,590,449,932
EQUITY INVESTMENTS		3,370,093,863,327
INVESTMENTS IN GROUP UNDERTAKINGS		90,018,917,687
TANGIBLE FIXED ASSETS		30,398,356,801
OTHER ASSETS		203,671,164,856
ACCRUED INCOME AND PREPAID EXPENSES:		
Accrued income	625,711,493,643	
Prepaid expenses	62,772,083,392	
of which: Discounts on bonds issued Lit. 3,050,546,040		
		688,483,777,035
		30,262,658,050,208

LIABILITIES

	Lit.	Lit.
DEPOSITS FROM BANKS:		
Repayable on demand	3,109,838,831	
Term deposits and deposits repayable under notice	3,072,395,587,969	
		3,075,505,426,800
CUSTOMER DEPOSITS:		
Repayable on demand	4,003,855,302	
Term deposits and deposits repayable under notice	49,398,282,276	
		53,402,137,578
DEBT SECURITIES IN ISSUE:		
Bonds	9,263,609,682,902	
Certificates of deposit	12,117,722,866,780	
		21,380,332,449,682
OTHER LIABILITIES		313,030,312,522
ACCRUED EXPENSES AND DEFERRED INCOME:		
Accrued expenses	424,451,937,478	
Deferred income	33,083,742,778	
		457,535,680,256
PROVISION FOR STAFF TERMINATION INDEMNITIES		23,237,739,309
PROVISION FOR TAXATION		125,881,590,861
CREDIT RISKS PROVISION		303,098,223,896
GENERAL BANKING RISKS PROVISION		600,000,000,000
SHARE CAPITAL		476,000,000,000
SHARE PREMIUMS		1,530,000,000,000
LEGAL RESERVE		95,200,000,000
STATUTORY RESERVES		[illegible]
REVALUATION RESERVES		[illegible]
RETAINED EARNINGS		[illegible]
PROFIT FOR THE YEAR		[illegible]
		30,262,658,050,208

It was resolved:
1. to allocate Lit. 23.5 billion to the Statutory Reserves;
2. to pay a dividend of 20%, i.e., Lit. 200 per share on all the Bank's 476 million shares currently in issue representing the share capital of Lit. 476 billion.

The gross dividend of Lit. 200 per share will be payable as from 18th November 1996 upon surrender of Coupon No. 12 at the Company's Offices, Via Filodrammatici 10, Milan, and at Branches in Italy of Banca Commerciale Italiana, Banco di Roma, Credito Italiano, and also at Monte Titoli in respect of shares administered by it, under current legal regulations.

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COMPANIES AND FINANCE: UK

TI faces Forsheda opposition

By Tim Burt

Disgruntled investors in Forsheda, the Swedish polymer engineering company, said yesterday that owners of nearly 30 per cent of the company were opposed to the proposed £189m ($285m) takeover by the UK's TI Group.

Henderson Investors, which controls 12.8 per cent of Forsheda's quoted B shares, said four other institutional investors were planning to reject TI's cash offer of SKr225 ($34) a share.

TI, which is also offering SKr247.5 a share for the unlisted A shares, indicated that its advisers were prepared to meet Henderson to try to resolve the dispute, although it reiterated the offer was "full and fair".

The company has already secured irrevocable undertakings to accept the bid from Agora Group, Forsheda's family-owned holding company, which accounts for 63.6 per cent of the A shares and 20.6 per cent of the issued share capital.

However, Mr Andrew McNally, a fund manager at Henderson, said dissident investors could prevent TI from achieving the 90 per cent backing it needed to force minority investors to sell their shares and to consolidate Forsheda's cash flow in its own accounts.

"We have been contacted by a number of overseas investors who, like us, feel that TI's bid does not fully reflect the value of the group," he added.

Henderson and other investors are expected to seek talks with Forsheda and SBC Warburg, TI's advisers, to discuss the possibility of an increased bid before the offer period expires next week.

Opposition to the Forsheda deal is expected to be discussed today at TI's annual strategy meeting, at which the board and senior operating managers are considering the company's development programme for the next three years.

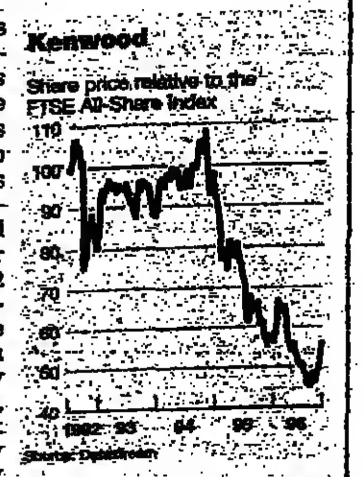
Directors attending the two-day meeting will hear that TI is considering bolt-on acquisitions in each of its three divisions – Bundy, John Crane and Dowty.

Particular emphasis is expected on deals to enhance TI's presence in refrigeration tubing and in polymer engineering. Forsheda would more than double the size of TI's polymer business.

The UK group emphasised that its offer for the listed shares represented a 39 per cent premium to the share price at the end of last month. The B shares yesterday fell SKr0.5 to SKr223.5.

LEX COMMENT

Kenwood



Kenwood Appliances looks a classic target for shareholder activism. So its management should not be shocked at the attentions of rebel investors who want to see the business sold off to all comers. Kenwood has underperformed the stock market by over 50 per cent since its 1992 flotation. And its management has failed to tackle the problems of being a relatively small company in a highly competitive, low technology business. It manufactures too many products for too many countries. The result has been poor control of costs and working capital. Nonetheless, putting Kenwood on the auction block looks unlikely to achieve optimum results.

Kenwood's problems are hardly new, so likely buyers would have been alerted many months ago. Moreover, Kenwood is undergoing management changes. Mr David Nash, who narrowly missed the chief executive job at Grand Metropolitan, has come on board as chairman and is unlikely to allow the performance to continue drifting. Kenwood is already undergoing a much-needed review of its production framework – previously run like separate fiefdoms in the UK, Italy and China – and there should be plenty of scope for cutting costs. Given Kenwood's lowly prospective p/e ratio of 9, a sensible rationalisation programme should generate substantial returns.

The new management team may be unable to deliver, but it is credible enough to deserve a chance. And at least the rebel yells will encourage some urgency.

Kepit's holders opt for cash

By Tim Gordon

Kleinwort European Privatisation Investment Trust, the £500m ($806m) fund, announced yesterday that the majority of shareholders had opted to receive their capital in cash as they voted almost unanimously for its liquidation.

Mr Shane Ross, chairman said: "We think we have really got the last penny for shareholders." It is estimated that about 78 per cent of the shares are being exchanged for cash.

The majority remaining have opted for the Kleinwort Benson European Privatisation Trust (Kbept), which will receive some £70m in assets; and about £20m will go to the M&G European & General fund. These figures have to be finalised.

The 77,000 shareholders registered a preference by last Saturday.

A senior Kepit source said: "This was not the result that the managers wanted at all. They wanted to unitise the entire trust."

Shareholders will receive cash on about November 25, while the company's liquidation will take about a year.

Kbept will trade on a similar, but slightly broader remit, than Kepit, investing in European companies privatised in the past 10 years, compared to Kepit's five.

UniChem makes cost cuts pledge

By Christopher Price

UniChem said yesterday it was confident of beating the "conservative" synergy savings of £20m ($31m) a year should its £641m bid for Lloyds Chemists, the high street retailer, be successful.

The pledge, in a letter to shareholders, comes 10 days after the company relaunched its campaign to take over Lloyds following clearance from the government for its bid and that of its rival, Gehe of Germany. Gehe has until November 8 to respond.

Mr Geoffrey Cooper, UniChem finance director, defended the decision not to advise shareholders of the likely dilution to group earnings if the company wins the battle for Lloyds.

"This bid is about the long-term value to UniChem shareholders, not about what happens just in year one." Shareholders were told the cost savings would "result in materially enhanced earnings per share after the first year".

Gehe refused to comment yesterday, but analysts said the German group had everything to gain from delaying its bid in the hope that UniChem's cash and share offer would be further undermined by a fall in its share price. At yesterdays' closing price of 250½p, the offer was worth £641.5m.

Kenwood waits on EGM call

By Justin Marozzi

Kenwood Appliances yesterday said it had not yet heard directly from UK Active Value Fund about its call for an extraordinary meeting.

On Sunday, UAVF, jointly headed by the South African entrepreneurs Mr Julian Treger and Mr Brian Myerson, issued a release calling for the Kenwood board to put the group up for sale. UAVF owns 9 per cent of the household goods manufacturer.

Kenwood said it had only learnt of the move through the Sunday newspapers. It said it would not make any further comment until it was approached directly.

UAVF said Kenwood "lacks highly rated management with marketing flair, has inefficient production systems, faces high distribution and administrative costs and has a worsening balance sheet". The fund has a reputation for tough handling of poor performers, including the property developer Greycoat, where it recently forced an extraordinary meeting.

Kenwood shares tumbled below 200p this summer, after peaking at more than 380p at the beginning of 1994. Yesterday, they closed up 8½p to 250½p.

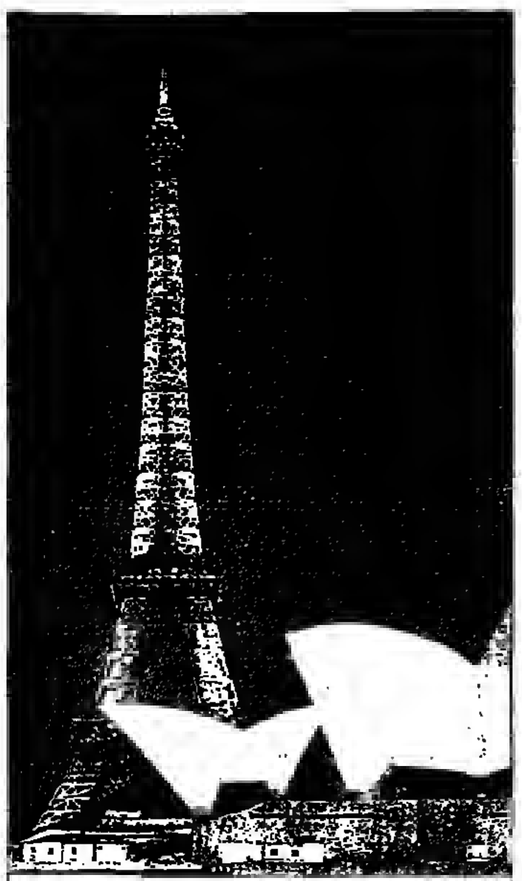
Analysts expect institutional shareholders will give the new management time.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cathay Intl	6 mths to June 30	13.3	(12.7)	1.69	(2.39)	0.13	(0.07)	nil	-	nil	-	nil
Grampian TV	8 mths to Aug 31	11.9	(12.7)	6.15♥	(2.92)	16	(5.9)	2	Dec 16	1.25	-	5.4
Invesco	6 mths to Sept 30	173.2	(139.8)	48.5	(37.5♠)	13.7	(11.4)	-	-	-	-	5.75
Old English Pub Φ	6 mths to Sept 30	6.77	(3.05)	0.811	(0.273)	3.73	(1.64)	0.6	Dec 6	0.33	-	1
Phytopharm	Yr to Aug 31	0.934	(1.11)	0.565L	(0.189)	2.54L†	(1.1)	-	-	-	-	-
Raxspur	*Yr to June 30*	*31.4*	*(11.4)*	*0.172♠*	*(2.94L♠)*	0.02	(3.29L)	-	-	-	-	-
Safeland	6 mths to Sept 30	16.49	(15.48)	1.3	(1.03)	3.29	(2.77)	0.93	Mar 7	0.9	-	0.9
UK Estates	Yr to June 30	5.07	(4.37)	0.382	(0.61♥)	0.47	(1.01)	0.2	Jan 6	0.15	0.3	0.25

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
M&G Equity Income	Yr to Sept 30 ★	173.1	(162.7)	2.21	(2.02)	6.29	(5.85)	3.95‡	Dec 30	3.57‡	6.15	5.77
Murray Enterprise	Yr to Sept 30 ★	151.16	(134.39)	0.829	(0.674)	3.42	(2.79)	2	Feb 3	1.6	2.825	2.35
Overseas	Yr to Sept 30 ★	476.6	(422.9)	1.85	(1.6)	4.86	(4.2)	2.75	Dec 20	2.6	3.7	3.5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ΦAim stock. ★Comparatives restated. ‡Includes Foreign Income Dividend element.



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RANDGOLD

SUMMARY OF GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 SEPTEMBER 1996

BLYVOORUITZICHT GOLD MINING COMPANY LIMITED

(Reg. No. 05/09743/06) Nasdaq No. BLYDY

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Cash operating profit	9 090	8 443
Cash profit after taxation	11 404	9 691

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
Carbon Leader	77,9	64	25	146,7	3 668
Main Reef	82,0	58	22	22,9	482

The Western Deep Levels Tribute, and extension, has been purchased for R25,5 million.

DURBAN ROODEPOORT DEEP LIMITED

(Reg. No. 01/00726/06) Nasdaq No. DROOY

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Cash operating profit	6 385	6 532
Cash profit after taxation	8 429	8 168

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
South Reef	265,5	279,0	64	5,4	346
Main Reef	164,4	169,5	127	5,3	673
Kimberley Reef	736,4	622,5	123	3,9	479
Bird Reef	102,1	93,0	104	7,9	821

The continued underground build-up resulted in an increased tonnage of 5,4% being processed.

THE GROOTVLEI PROPRIETARY MINES LIMITED

(Reg. No. 01/02282/06) Nasdaq No. GVPMY

GROOTVLEI

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Cash operating (loss)/profit	(3 781)	3 913
Cash (loss)/profit after taxation	(4 084)	4 792

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
Black Reef	153,6	160,5	66	21,3	1 835
Kimberley Reef	705,3	658,5	16	21,5	351

Gold production decreased by 91 kg as a result of inconsistent grade recoveries.

NOTES:

DIVIDENDS:

No dividends to ordinary shareholders have been [illegible] for the three months ended September 1996.

GENERAL:

All the companies mentioned are incorporated in [illegible] South Africa.

US NASDAQ LISTING:

The following mines were listed on the US Nasdaq [illegible] from 3 October 1996:

Blyvooruitzicht Gold Mining Company Limited

Buffelsfontein Gold Mines Limited

Durban Roodepoort Deep Limited

Grootvlei Proprietary Mines Limited

Harmony Gold Mining Company Limited

HEDGING:

None of the mines have any outstanding hedging contracts [illegible] further hedging is anticipated.

EAST RAND PROPRIETARY MINES LIMITED

ERPM

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Working profit	9 256	9 174
Cash profit after taxation	15 023	11 662

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
Composite Reef	2 079	31,8	40	34,8	1 393

Included in sundry revenue is an amount of R2,9 million representing a final insurance settlement.

HARMONY GOLD MINING COMPANY LIMITED

Nasdaq No. HGMCY

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Cash operating profit	30 328	25 286
Cash profit after taxation	20 249	18 681

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
Basal Reef	882,5	819	86	11,8	1 014
Leader Reef	2 514,9	2 329	143	3,7	527
"A" Reef	462,4	438	173	3,8	635

Underground volumes increased by 2% on the previous quarter, and further improvements are expected.

BUFFELSFONTEIN GOLD MINES LIMITED

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Cash operating profit	24 281	13 937
Cash profit after taxation	24 635	15 254

DEVELOPMENT RESULTS

	Advance metres	Sampled metres	Channel width cm	Channel g/t	cm.g/t
Vaal Reef	101	60	76	22	1 663

Tonnage targets were achieved and the opening-up programme has been accelerated to improve available ore reserves.

STILFONTEIN GOLD MINING COMPANY LIMITED

FINANCIAL RESULTS (R000)	Quarter 30/9/96	Quarter 30/6/96
Working profit	137	3 574
(Loss)/profit after taxation	(511)	1 398

Biotechnology 'angels' fund is launched

By Daniel Green

Britain's first biotechnology "business angels" fund is being launched today. Backed by Mr Chris Evans, the biotechnology entrepreneur behind three companies already quoted on the stock market, the fund aims to put up to £50m ($78m) into university and hospital science.

The fund intends to plug a gap in UK venture capital, highlighted yesterday in a Bank of England report, which leaves technology start-up companies starved of cash.

Conventional venture capital usually invests in lower risk management buy-outs. The few specialist biotechnology funds in the UK invest mostly in the US and tend to avoid scientists who have not already written a business plan.

The "angels" fund has two components. Merlin Ventures, majority owned by Mr Evans, will identify interesting science projects in UK universities, and the Merlin Fund will invest City of London money in companies started by Merlin Ventures.

Merlin Ventures aims to create viable companies by bringing together potential new medicines and technologies from different universities and hospitals.

It will invest an average of about £250,000 in each start-up. The money will come from Mr Evans and his associates who will also help write the business plans, form the management structures and set the commercial strategies.

They will also try to bring together science and scientists to create companies which have "portfolios" of new products under development. This is designed to spread risk and is the normal structure for biotechnology and pharmaceuticals companies.

In the US, home to most of the world's biotechnology companies, wealthy individual "business angels" are an established source of funds for high technology start-up companies.

The spark that lights up world interest

Simon Holberton looks at the global focus on the UK's electricity independents

Yesterday's £766m ($1.2bn) bid for Northern Electric, the north-east of England electricity company, may herald the beginning of another wave of takeovers in the UK electricity sector.

Northern is one of five of the original 12 regional electricity companies in England and Wales that remain independent. "The Northern bid is the opening shot in a renewed wave of corporate activity," said Mr Michael Cohen, utilities analyst at Salomon Brothers.

Three regional electricity companies – Seeboard, South Western and Midlands – have already fallen to US bidders. Mr Cohen said he expected more to follow.

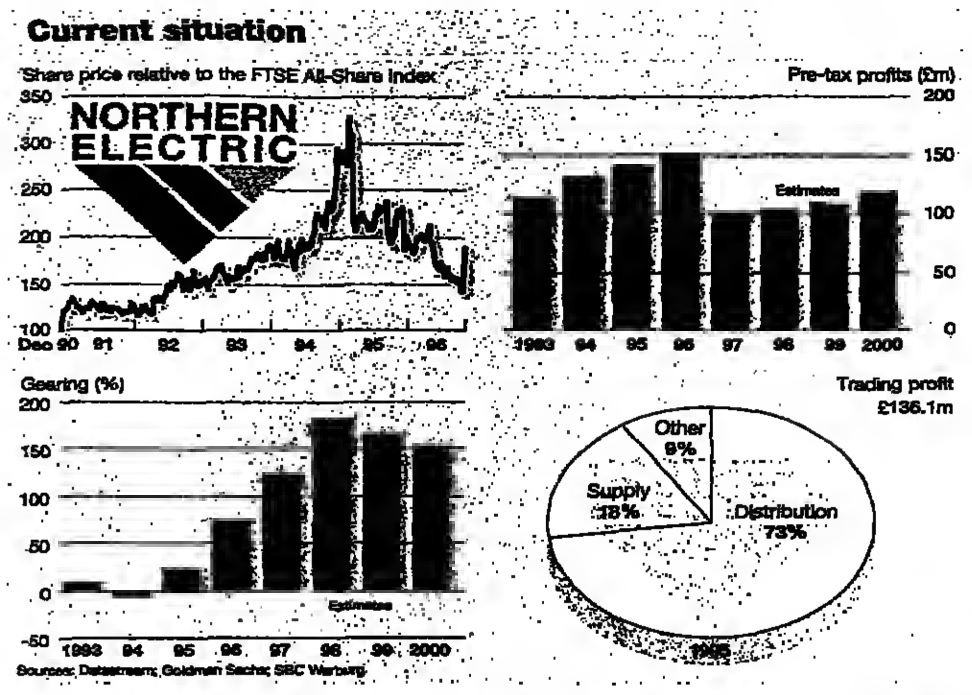
"US companies are looking at the UK as the most advanced privatised utilities market in the world. Northern is a foothold in the UK as well as Europe."

CE Electric UK, the bidder for Northern, is a partnership between CalEnergy, a US independent generator, and its largest shareholder Peter Kiewit Sons, a US construction group. CalEnergy owns 70 per cent of CE Electric.

Mr David L Sokol, CalEnergy's chairman and chief executive, said that while financial considerations were important the bid for Northern was about "strategy". "There is an acceleration in deregulation around the world. There are enormous opportunities in supply and distribution." He also sees opportunities to use Northern's supply expertise in the US market, itself in the throes of deregulation.

Mr David Morris, chairman of Northern, said yesterday it was nice to hear that CalEnergy valued his company's expertise so highly. "I have no doubt that they are reputable people and serious players."

However, he said the bottom line was value. "The value CalEnergy has in mind is slightly different from where they started. It's difficult to see a basis for talking." He suggests that when the two had talks last week CalEnergy mentioned a figure of about 700p, not the 630p now being offered. Mr Sokol countered that CalEnergy did not make a formal offer and that 630p "fully valued" Northern.



While the share price jumped from 520p to 648p, some utilities analysts thought 630p was fair. Merrill Lynch said the offer, adjusted for Northern's capital restructuring in the wake of Trafalgar House's abortive £11 a share bid, valued each Northern share at £11.06.

Northern has returned nearly £540m to shareholders since it fought off Trafalgar in 1995. It has done this through a 100p special dividend, 's preference share issue, the distribution of shares in National Grid and a 63½p special dividend from the proceeds of the Grid demerger. The final tranche of its shareholder value package will come in January when it pays a special dividend of 56½p.

SBC Warburg has looked at all 10 bids for UK electricity companies from the basis of how many years' gross cash flow (earnings before interest, tax, depreciation and amortisation) would be needed to pay off the bids. This produced a range of 5.6 years to 8.3 years with an average of 6.8. At 630p CalEnergy's bid came in at 6.8 years. "The price is fair," said Mr Nick Pink, the bank's utilities analyst.

However, other analysts say that if CalEnergy wants a trouble-free acquisition it will have to pay a little more.

As part of Northern's defence, Mr Morris said its interim results, brought forward, would show it was doing better than many assumed. Analysts had been too conservative in their forecasts of gearing, he said, indicating it would be lower than the 125-130 per cent assumed by the market.

Mr Morris agreed that the company could not embark upon another "return of value" exercise. "There isn't going to be an enormous cash handback to shareholders," he said. "But there are other things such as what management is doing to maximise shareholder value through policy and action."

The bid will be considered by the government and by Professor Stephen Littlechild, the industry regulator. Most observers believe it will be waved through, although Mr Pink dissented because "Littlechild needs stock market comparators".

Middlesex casts investor net wider

By Jane Martinson

Middlesex Holdings, the diversified company which specialises in commodities in the former Soviet Union, joined the main market yesterday as part of a push to attract more institutional investors for the next stage of development.

The three-year-old company's activities include a financial services division as well as ventures in the steel, oil, coal and gold industries.

Lord David Owen, who became chairman a year ago, said the company had succeeded in Russia because of the strength of its personal relationships.

Mr Masoud Alikhani, chief executive and Middlesex's largest shareholder with a 12 per cent stake, had been working in the area for three years prior to the formation of the company, which was named after an English county cricket club.

Lord Owen said it was "extraordinary opportunities" in Russia which had attracted him to Middlesex.

The company sometimes operates via pre-financed deals to facilitate the export of the overcapacity in Russia's large manufacturing industries.

The shares were unchanged at 6½p, valuing the company at £40.4m.

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Holders of Floating Rate Notes of the above issue are hereby notified that for the interest period from 28th October, 1996 to 28th January, 1997 the following information will apply.

1. Rate of Interest 6.1875% per annum
2. Interest Amount payable on Interest Payment Date: £77.83 Per £5,000 nominal or £778.31 Per £50,000 nominal
3. Interest Payment Date: 28th January, 1997

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INTERNATIONAL CAPITAL MARKETS

Brazil seeks $750m in first global issue

INTERNATIONAL BONDS

By Samer Iskandar

Falling European government bood markets yesterday failed to stem the flow of new eurobond issues, as borrowers inundated the primary market with new paper.

Brazil returned to the dollar sector for the first time since 1982, launching its first global issue – $750m of five-year notes. Mr Gustavo Franco, director of the international department at the central bank, said the issue was "the big test" for the country. "Today we are exposing ourselves to the judgment of the market."

Mr Franco said that with nearly $60bn in foreign reserves – covering a whole year of imports – the country did not need the money. "The transaction will mainly serve the private sector," he said. "By establishing a sovereign benchmark, we will give corporate borrowere access to cbeaper international financing."

J. P. Morgan, joint lead manager with SBC Warburg, said the pricing had been set in the middle of the announced range of 255 basis points to 275 basis points over US Treasuries, "to take account of market conditions". But rival banks still described the issue as "overpriced" or "too tight" – it cheapened by the end of the day to a spread of about 280 points. They compared it to Mexico and Argentina, whose similar bonds trade at more generous spreads – 335 and 408 basis points respectively.

SBC Warburg said the pricing bad "more to do with Brazilian economic fundamentals than a rating perspective". It also pointed out that the stroog Asian demand, about 40 per cent of the amount, consisted mainly of "first-time buyers of Brazilian exposure".

Mr Franco also said the ratings of B1 and B+ by Moody's and S&P were "perhaps lagging behind the economic situation", but predicted this situation "should correct itself over time".

Dentsche Pfandbrief, the German bank, launched two issues, the larger of which consisted of profit-sbaring certificates maturing in 2012. It pays a coupon of 7.65 per cent, whicb is scrapped if tbe bank makes losses in any particular fiscal year. Unpaid coupons would be paid retroactively once the institution returns into profit.

This structure allows the funds to qualify as tier-two capital, raising DePfa's capital ratio more than 2 percentage points to 14 per ceot – the tier-one capital ratio stands at 7 per cent.

Mr Frank Rühland, DePfa treasurer, said the deal was the "first evar underwritten by a single bank". Commerzbank, which will be holding the paper on its books for several days, until the whole amount bas filtered through to final investors.

Elsewhere, the lira sector was still supported by Emu-related bullishness. The World Bank and Crédit Local de France both increased existing issues, via lead manager Credito Italiano, while IMI Bank raised L300bn for its own account. Credito Italiano said demand was still strong, which could lead to other increases for recently-launched issues.

Japanese borrowers were very active, with Japan Highway and Hitachi Credit tapping the dollar sector, while Nippon Telephone & Telegrapb returned to sterling after five-years.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Federative Rep of Brazil#	750	8.875	99.88R	Nov 2001	0.50	265(6¼%-01)	JP Morgan/SBC Warburg
Japan Highway Public Corp	300	6.875	99.66R	Nov 2006	0.325R	28(6½%-06)	Nomura Intl
Hitachi Credit Corp	200	6.625	99.713R	Nov 1996	0.30R	34(6¼%-01)	JP Morgan
BES Overseas Ltd‡	250	(a)	100.00R	perpetual	3.15R	-	Mrll Lynch/BES/B. Essi
■ D-MARKS							
Hypothekenbank in Essen(b)	2bn	5.75	99.78	Feb 2004	0.31	-	(b1)
DePfa(s)	750	7.65	100.00	Jul 2012	undisc	-	Commerzbank
Deutsche Ausgleichsbank	500	6.125	99.50R	Nov 2006	2.50	-	Commerzbank
DePfa Bank(c)	300	4.00	99.85	Nov 2001	0.15	-	JP Morgan
UBS(d)(s)	100	2.50	99.95R	Nov 1996	0.25R	9(bb)119)	UBS
■ AUSTRALIAN DOLLARS							
New South Wales Trsy*#	200	6.00	99.93	Nov 1999	1.375	-	Nomura International
Toyota Finance Australia	150	7.00	101.27	Dec 2001	2.00	-	Hambros
■ NEW ZEALAND DOLLARS							
Council of Europe*#	100	7.00	100.00	Nov 1998	0.50	-	Tkyo Mtsbshi/Tky Sec Erp
■ STERLING							
Nippon Telegrph & Telphne	250	7.375	99.31R	Dec 2003	0.117R	18(8%-03)	BZW
■ ITALIAN LIRE							
World Bank(e)	500bn	zero	28.31	Nov 1996	2.00	-	Credito Italiano
Credit Local de France(f)	200bn	8.125	101.75	Dec 2006	2.00	-	Crdto It/Mnt d. Paschi
IMI Bank Intl. Cayman	300bn	7.50	101.404	Dec 2001	1.875	-	IMI Luxembourg
■ PESETAS							
Nordic investment bank(g)	14bn	7.70	101.45	Dec 2006	1.75	-	Banco Bilbao Vizcaya
■ ECU							
Kredietbank Intl Finance(h)	55	5.00	101.70	Dec 2004	2.00	-	Kredietbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. §Convertible. ¢With equity warrants. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor +195bp. Non cumulated perpetual preferred floating rate securities. b) Added to DM500m. Plus 268 days accrued interest. Offentlische Pfandbrief. b1) ABN Amro/BHW/Commerzbank/Dresdner/Trinkhaus. c) Coupon 4% until 15/11/98, then 6-mnth Libor +50bp with a 6¼% cap. Pfandbrief. d) Fungible with DM150m launched on 9/10/96. e) Added to L1.5 trillion. f) Added to L300bn. g) Pays 15.5% -1yr Libor in yrs 6-10. h) 5% coupon for yrs 1-4, 7.125% thereafter. s) Short 1st coupon.

Gemms show big variations in profitability

By Conner Middelmann

The performances of some gilt-edged market makers – the official dealers in UK government debt – strengthened in 1995, against the previous year, their latest profit-and-loss accounts show.

The Gemms posted heavy losses in 1994, and the latest figures show their profitability as highly variable. Results ranged from a pre-tax profit of £28.9m to a loss of £9.9m.

Not all 18 Gemms have filed their annual profit-and-loss accounts with Companies House, but so far only seven Gemms appaar to have made any money in 1995, despite tha marked improvement in underlying market conditions.

SBC Warburg put in the worst performance, posting a loss of £9.9m to follow its £6.9m deficit of 1994. Observers put its weak performance down to staff departures and uncertainty surrounding Swiss Bank Corporation's merger with S.G. Warburg last July.

Since the merger, the bank has shifted its focus away from speculative proprietary trading toward a greater emphasis on customer business. The associated costs are thought to have contributed to tha bank's losses.

"SBC Warburg has initiated a number of changes within the Gemm business since tha merger with S.G. Warburg," the bank said.

"We are strengthening our already significant markat share, which involves one-off costs such as applying leading-edge risk management technology. Our re-engineering of this business will result in improved returns to shareholders and a higher degree of customer service."

At the other end of the spectrum, Salomon Brothers generated a pre-tax profit of £28.9m, after making £5.6m in 1994 when it ranked second in the profitability league tables.

It is followed by BZW, which posted a pre-tax profit of £21.9m for 1995. This represents a sharp recovery from 1994, when it lost £19.2m, largely as a result of its exposure to sterling bonds issued by Confederation Life, the Canadian insurer which collapsed in August 1994.

Merrill Lynch ranks third for 1995, with pre-tax profits of £6.4m, after a a loss of £2.9m in the previous year. It is followed by by HSBC Greenwell with a profit of £5.9m, to follow a loss of £671m in 1994.

Dealers stress that these numbers are difficult to compare. Different Gemms include different types of sterling business in their accounts – for instance eurobonds or proprietary trading. Also, Gemms have varying year-ends – most are in December, with some in November or March.

In addition, while some houses include the operating costs of their gilt operations in their profit-and-loss accounts, others do not.

The current year is not expected to be much more profitable for gilt traders as gilt trading has been choppy for much of the year. Howaver, the introduction in January of a market in gilt repos is thought to have increased international investor participation, which could raise revenues at some banks, especially the more global operators.

Europeans underperform as prices drift lower

GOVERNMENT BONDS

By Richard Lapper, Capital Markets Editor

Government bond prices yesterday drifted lower, with higb-yielding European bonds underperforming. And as the market continued to digest the implications of last week's comments by Bundesbank officials that furtber interest rate cuts are unlikely, a mild sell-off in the shorter-dated paper led to some flattening of the German yield curve.

■ In tbe London futures market the Italian BTP pits were the focus of attention with beavy selling of the December contract in afternoon trading. Dealers said spread plays by US institutions designed to test the 200 basis point range between BTPs and bunds had "run out of steam" and that there bad been some selling in the afternoon.

Having reached an intraday high of 124.35, tbe December contract lost nearly a point in the afternooo before settling at 123.25, down 0.83. The 10-year yield spread ended the day at 227 basis points, 4 basis points wider. Mr Martin Whitaker, broker with Crédit Lyonnais Rouse, said US houses had been "aggressive sellers". Mr Alex Cooper, manager with Tullett and Tokyo, said newswire reports bad revived concern about Italy's chances of meeting budget deficit targets and encouraged investors to ligbten their positions. Some investors were reported to be favouring switches from Italian into Spanish bonds.

■ German bonds closed lower with Liffe's December bund contract down 0.28 at 99.41. The December euromark future settled at 99.81, down 0.03, while contracts for back months were harder hit. In tbe casb market yields on beochmark three-year paper rose 6 basis points, whils the 10-year benchmark rose 2 basis points to 6.03. "Players are becoming more accustomed to tbe idea that we have reached the end of the easing cycle," said Mr Cooper, at Tullett and Tokyo. Mr Michael Burka, senior economist at Citibank, said the overall level of German 10-year bond yields were inhibiting some German institutions from buying bunds. "People who have a moderately constructive approach to the bund market have been barred from doing anything because they can't justify it to their trustees." Historically, bund yields rarely stayed below 6 per cent for long periods, he said.

■ UK, French and Spanish bonds also drifted lower in the afternoon. On Liffe the December long gilt settled at 109$\frac{21}{32}$, down ¾. At Matif, the December notional contract settled at 126.28, down 0.20.

■ US Treasury prices were lower in early trading yesterday despite gains in the the dollar against the yen. Near midday, the benchmark 30-year Treasury was off $\frac{1}{16}$ at 98$\frac{21}{32}$ to yield 6.825 per cent, while the two-year note lost $\frac{1}{32}$ at 99$\frac{29}{32}$, yielding 5.909 per cent. The December 30-year future slipped $\frac{1}{16}$ to 110$\frac{15}{32}$.

A rising dollar failed to help bonds hold on to gains made overnight in Asian and European trading. Early yesterday morning the dollar rose to a 42-waek high against the yen at Y114.43 before slipping back to Y114.20 by early afternoon.

The dollar slipped against the D-Mark, trading at DM1.5175 compared with DM1.5207 late on Friday.

Otherwise, attention was focused on data due out this week that could move bonds out of the narrow range in which they have traded since the start of this month. Especially important should be today's release of data on employer costs.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.2850	-0.070	7.42	7.54	7.94
Austria		5.875	07/06	98.4600	-0.020	6.08	5.95	6.13
Belgium		7.000	05/06	106.1700	-0.200	6.12	6.09	6.39
Canada *		7.000	12/06	102.6900	-0.660	6.63	6.49	7.37
Denmark		8.000	03/06	107.6600	-0.020	6.86	6.83	7.12
France	BTAN	5.500	10/01	102.2925	-0.130	4.96	4.95	5.33
	OAT	6.500	10/06	103.7200	-0.170	6.00	5.97	6.22
Germany Bund		6.250	04/06	101.4900	-0.150	6.03	5.98	6.17
Ireland		8.000	08/06	0.0000		0.00	6.91	7.25
Italy		9.500	02/06	106.6200	-0.630	8.16†	8.16	9.01
Japan	No 140	6.600	03/01	122.0906	-0.190	1.56	1.62	1.76
	No 182	3.000	09/05	102.6297	+0.260	2.61	2.75	2.83
Netherlands		8.500	06/06	116.2200	-0.350	5.66	5.61	6.06
Portugal		9.500	02/06	112.7300	-	7.54	7.60	8.22
Spain		8.800	04/06	106.6200	-0.470	7.76	7.76	8.32
Sweden		6.000	02/05	92.6805	-0.120	7.19	7.25	7.78
UK Gilts		8.000	12/00	103-21	-8/32	6.95	6.97	7.02
		7.500	12/06	99-16	-11/32	7.56	7.60	7.79
		9.000	10/08	110-11	-10/32	7.67	7.71	7.91
US Treasury *		6.500	10/06	99-21	-3/32	6.55	6.49	6.80
		6.750	08/26	99-01	-6/32	6.83	6.78	7.01
ECU (French Govt)		7.000	04/06	104.4900	-0.070	6.35	6.34	6.83

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

[illegible]

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

[illegible]

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
9900	0.73	0.47	0.66	0.82	0.32	1.07	1.28	1.42
9950	0.45	0.31	0.50	0.64	0.54	1.41	1.60	1.74
10000	0.24	0.19	0.34	0.47	0.83	1.79	1.94	2.07

Est. vol. total, Calls 10847 Puts 12987. Previous day's open int., Calls 170401 Puts 166776

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

[illegible]

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

[illegible]

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

[illegible]

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Mon Oct 28	Day's change %	Fri Oct 25	Accrued interest	xd adj. ytd
1 Up to 5 years (21)	121.78	-0.10	121.90	2.88	8.04
2 5-15 years (19)	149.98	-0.16	150.82	2.75	9.09
3 Over 15 years (8)	166.72	-0.19	167.03	3.69	9.83
4 Irredeemables (6)	192.09	-0.29	192.65	4.56	8.83
5 All stocks (54)	144.31	-0.15	144.79	2.92	8.92

UK Indices

	Low coupon yield Oct 28	Oct 25	Yr. ago	Medium coupon yield Oct 28	Oct 25	Yr. ago	High coupon yield Oct 28	Oct 25	Yr. ago
5 yrs	7.05	7.02	7.53	7.11	7.08	7.53	7.16	7.13	7.61
15 yrs	7.81	7.79	8.14	7.79	7.76	8.18	7.83	7.81	8.26
20 yrs	7.92	7.89	8.20	7.88	7.86	8.23	7.92	7.89	8.29
Irred.†	7.97	7.94	8.27						

Index-linked

[illegible]

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

[illegible]

Gilt Edged Activity Indices

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on October 28

[illegible]

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UK GILTS PRICES

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987.

Other Fixed Interest

[illegible]

• 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

THE NETHERLANDS

European business hub

The stock of foreign capital employed in Dutch business represents more than a quarter of the country's gross domestic product, compared with a European Union average of about half that, writes Gordon Cramb

Fokker, the Dutch aerospace company, has been grounded virtually all year and Philips, Europe's biggest maker of electronics goods, is suffering a profits short-circuit.

Yet, while these two corporate agonies have together cost several thousand Dutch jobs, many more are being created – at a rate not seen since the 1960s – as the Netherlands experiences a consumer-led mini-boom and multinationals position themselves for European monetary union.

The guilder looks certain to join the single currency group, if the project proceeds on schedule in little more than two years. This expectation was reinforced last month by The Hague's budget for 1997, the year on which Emu eligibility will be assessed.

Government debt levels remain out of line but are coming down, with a public borrowing requirement 4.5 per cent lower next year at Fl 33.5bn. Mr Gerrit Zalm, finance minister, was at the same time able to cut corporate taxation by about Fl 1bn and seek to regain specialist deal-making business recently lost to locations such as Belgium and Ireland.

Multinationals are being offered an effective tax rate of just 7 per cent on profits derived from, say, an acquisition paid for through a Dutch holding company.

The Netherlands has long attracted relatively large amounts of inward direct investment. Indeed, the stock of foreign capital employed in Dutch business represents more than a quarter of the country's gross domestic product, compared with a European Union average of about half that.

Abont half the total now resides in the services sector. Apart from traditional tertiary businesses such as the shipping lines which operate from Rotterdam – still the world's largest port – numerous US software houses now use the country as a base for call centres which provide customer support for users around Europe.

The country, nevertheless, experiences a large net capital outflow each year, about half of which stems from direct investment by its own internationally-minded corporate sector in search of opportunities beyond a home market of just 15.5m people. At the same time, that home market is both spending more, and being better served. Job creation, at 110,000 posts of at least 12 hours a week, this year, is improving real disposable incomes in Dutch households, even though wage rises trail behind an already modest inflation rate of barely 2 per cent.

Deregulation has this year removed most restrictions on shop opening hours, while telecommunications will be opened to full competition from mid-1997. A more rigorous government approach to competition policy aims to lower entry barriers to the professions and purge price fixing agreements.

Research by the Central Planning Bureau, a state-funded forecasting unit, finds the Dutch market characterised by "a lack of financing opportunities for potential market entrants, aggressive pricing to discourage new players by companies that have incurred high fixed costs in the past, and tacit agreements among producers at the consumer's expense". This is now supposed to change.

One motive force is the presence in the three-party ruling coalition, since 1994, of the free market VVD. It has campaigned for competition and propelled a reform of the country's generous social security provisions.

"We have reached a new consensus," declares Mr Frits Bolkestein, VVD parliamentary leader. "The old one was Keynesian, where the government has to solve all problems. The new one is supply-oriented, with a market approach and financial stimuli."

Mr Bolkestein is a controversial figure in Dutch politics, the nearest thing the mainstream gets to a Eurosceptic. In the past month, the controversy surrounding him has focused on a different issue.

It emerged that as a non-executive director of the local subsidiary of Merck, the US pharmaceutical company, he lobbied Mrs Els Borst, health minister, on licences and health service prices for its drugs.

Amid accusations that this amounted to an improper use of his parliamentary position, the affair has brought to the surface tensions in the coalition which also includes the social democratic PvdA of Mr Wim Kok, prime minister, and the reformist D66.

"If I had spoken in favour of a failing company like Fokker I would have been applauded," Mr Bolkestein notes acidly.

As talks ground on last week between the receivers of the aircraft maker and South Korea's Samsung, they were overshadowed by a new round of job losses at the Philipa electronics group, flagship of Dutch industry. While Fokker needed an ontright buyer, Philips in recent months began to acknowledge that in various sectors it had to find partners operating in lower cost countries in order to stay competitive.

Fokker collapsed when Daimler-Benz of Germany, its majority owner, halted cash snpport. Philips is meanwhile running down Grundig, its loss-making German subsidiary. The two were among the largest cross-border indnstrial investments in each direction – between neighbours never entirely reconciled since the Netherlands was liberated from Nazi occupation.

While Germany takes a quarter of all Dutch exports, the German share of total inward direct investment in the Netherlands is just some 9 per cent, and Dutch outward commitments accord Germany only a similar proportion.

The question gains poignancy because of European unification. In an opinion poll this June commissioned by the University of Amsterdam and the NRC Handelsblad, the main afternoon daily, nearly two-thirds of respondents identified Germany as the country on which the Netherlands was most dependent. An equally large number wanted to retain a Dutch veto on EU decision-making; almost 60 per cent feared that integration would dilute social security; and fewer than half declared themselves supporters of a single currency.

Emu is likely to have costs as well as benefits for the Netherlands. The financial services sector, though enthusiastic, is vulnerable to a seepage of custom. Its internationally oriented industrial and commercial clients will be amenable to services offered by financial institutions based elsewhere in the euro zone, while Dutch banks and insurers may have to struggle harder to break national loyalties in other probable participant states such as Germany and France.

"I think that's true," says Mrs Saskia van Opijnen, company secretary of Fortis, the insurance and banking combine with twin headquarters in Brussels and Utrecht. She adds that "for Fortis, one can also argue that because it is not only Dutch, the freedom of services might be a great opportunity".

Mr Aad Jacobs, chairman of ING, the Dutch financial services group, insists: "Foreign companies will have a tongh time in penetrating the Dutch market – because it is so open and very competitive." But he warns that "all companies have to lower their cost base."

The Dutch government is used to the responsibilities as well as the benefits of EU membership, hut will have to work harder to explain these now that the country is a net contributor to Brussels coffers.

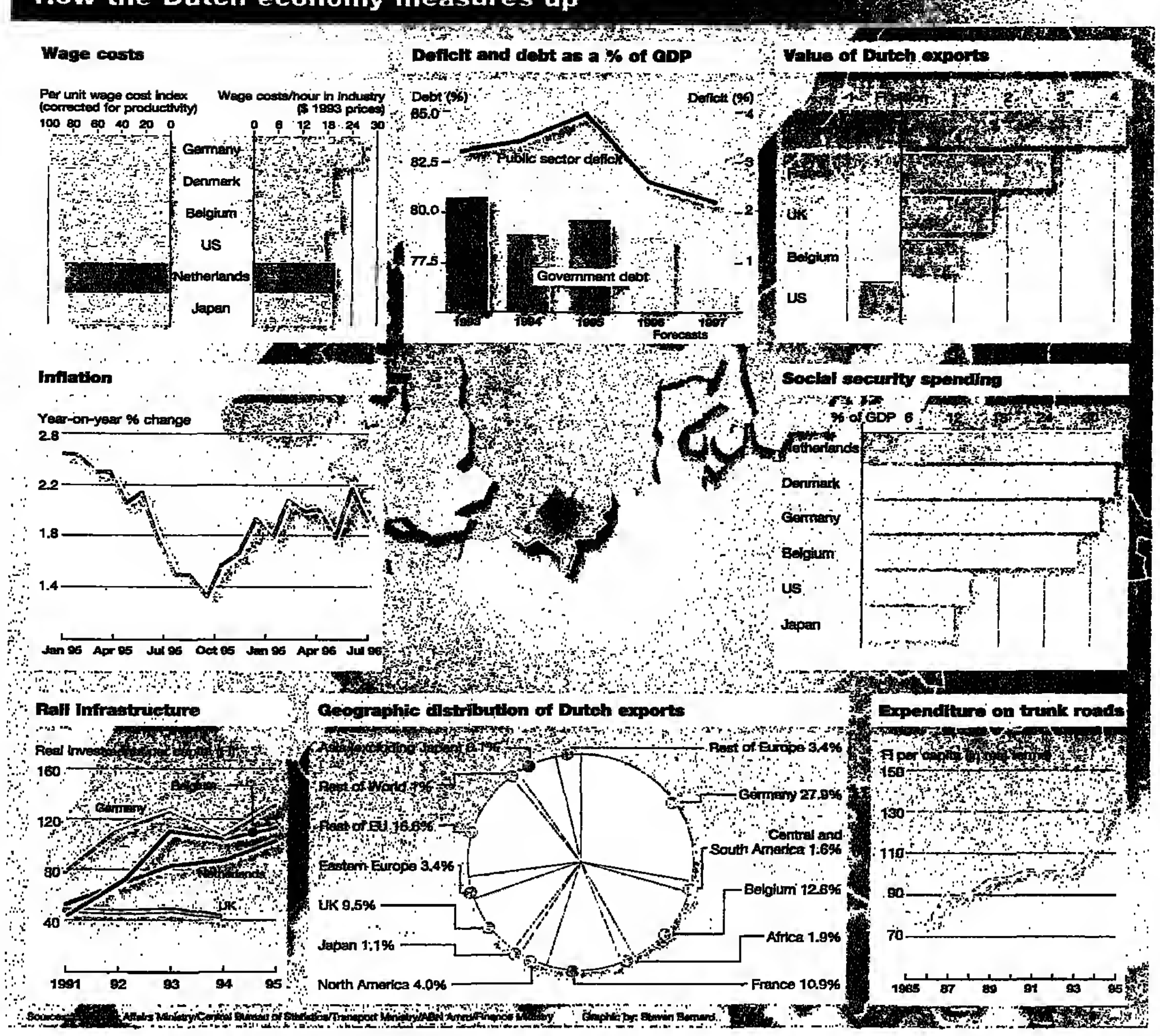
Premier Kok is today due to open Schiphol's World Trade Centre, an office complex at the state-run airport which represents part of its effort to secure a slot as a European "mainport". His officials are meanwhile preparing for the country again to assume the rotating EU presidency from January.

An Amsterdam summit is intended to put the finishing touches to Emn planning. The last time the Dutch were in the chair, the monetary union quest began and a small southern city called Maastricht found itself emblazoned on the modern European map.

IN THIS SURVEY

Production Editor: Philip Sanders

How the Dutch economy measures up



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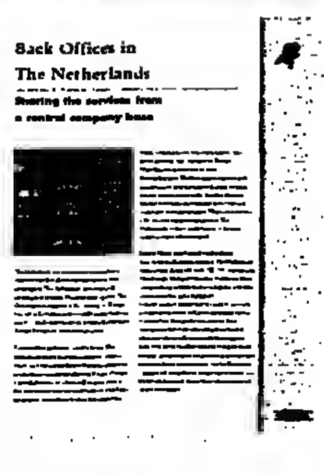

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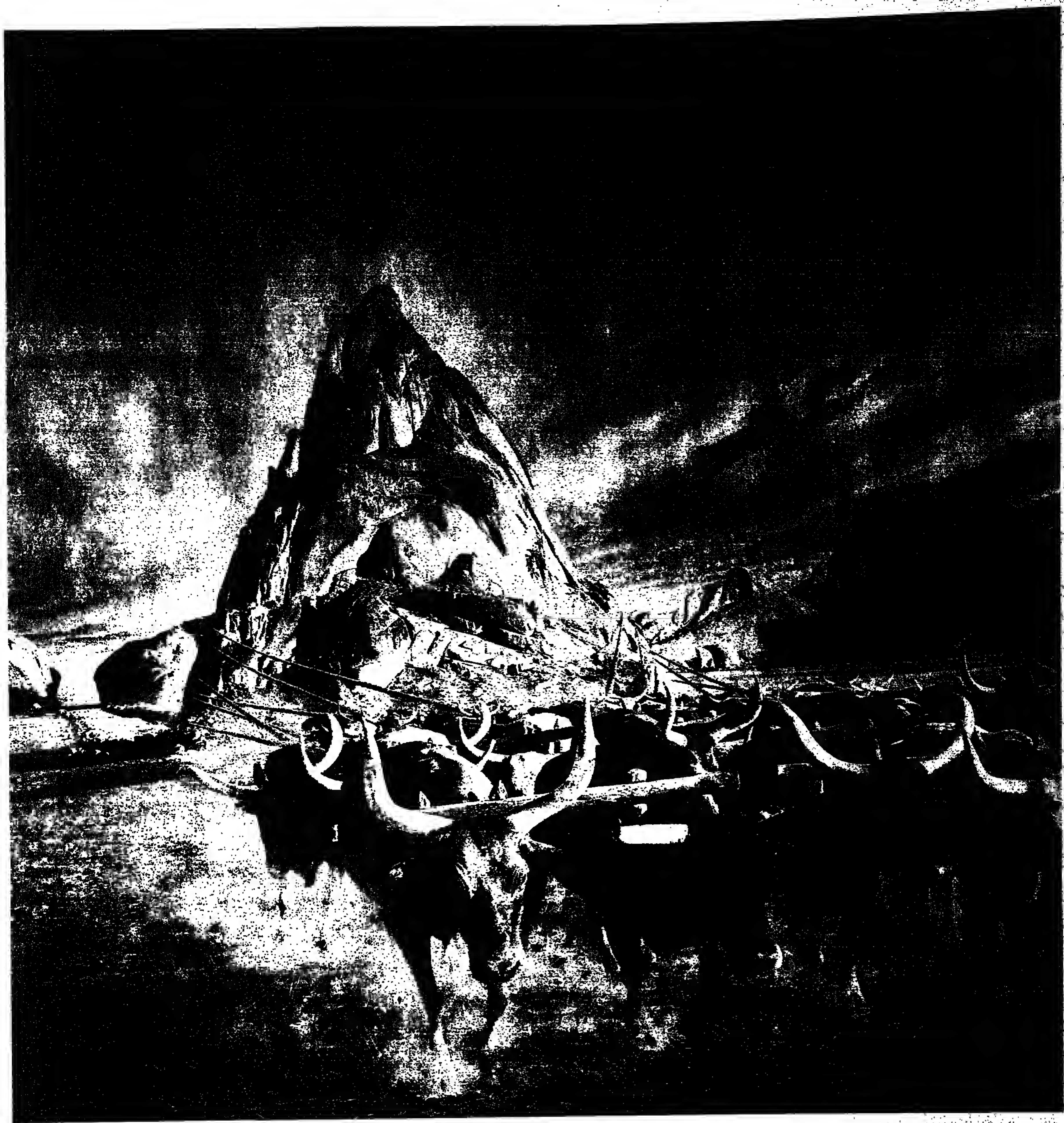

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NORTHERN IRELAND

The only game in town

While prospects for the multi-party talks look increasingly fraught, the politicians are still at the table, writes John Murray Brown

Has it all gone wrong? The vexed issue of the decommissioning of terrorist arms has still to be resolved. But no party has yet walked out of the talks

Photo-montage: Andrew Burns

What a difference a year can make. Less than 12 months ago, Northern Ireland was basking in the reflected glory of US President Bill Clinton's triumphant visit. The guns were still silent. Belfast was preparing for its second bumper Christmas in succession. Tourists were arriving in record numbers along with promises of new investment. Many must have believed they had seen the last of the violence that had disfigured the province for more than 25 years.

Surveying the same landscape today, it is easy to be despondent. Divisions between Protestant and Roman Catholic communities appear more bitter than ever. Disputes over the summer's marching season have seen extremists on both sides inflame sectarian hatreds.

February's massive explosion in London's Docklands signalled the end of the IRA's 18-month ceasefire. With the bomb attack on the British army headquarters at Lisburn earlier this month, the IRA shattered any lingering hopes it might be contemplating an early restoration. Road barriers are back in place in central Belfast. Soldiers again patrol the streets.

Over the summer tensions between the two communities were exacerbated by the stand-off at Drumcree where police forced protestors off the streets to allow a protestant Orange march through a Catholic housing estate. The event has coloured subsequent developments.

Against this background, few hold out mnch hope for the multi-party talks at Stormont. Yet the politicians remain at the table. British ministers point out that no party has yet walked out, although they voice disappointment at the slow progress. The vexed issue of the decommissioning of terrorist arms has still to be resolved but before Christmas, London and Dublin plan to present legislation providing a limited terrorist amnesty.

No one underestimates the difficulties. Even with 18 months of ceasefire, the political nature of the dispute – rival claims of those wishing to remain within the UK and those espousing a united Ireland – remains as intractable as ever.

There are positive developments. Even in hardline republican areas, there is little taste for a return to war. Belfast's inner city is starting to reap the benefits of the government's policy of targeting social need. These areas will suffer most from a resumption of full-scale inter-communal violence.

The end of the IRA ceasefire put pressure on loyalist paramilitaries to retaliate. But their political representatives, the Progressive Unionists and Ulster Democratic party, have so far showed restraint, even expressing willingness to engage with republicans.

By contrast, the mainstream unionist parties still insist the IRA first take some of its arms out of commission. As one Catholic businessman put it: "The real intransigent unionists are not in the working class estates but in the middle class golf clubs."

There are signs inward investors are prepared to take a long-term view. Only last week AVX, a US electronics company announced a £45m expansion of its Coleraine plant. The Industrial Development Board reported a record year for investment in 1995/96, raising its jobs target for the next three years from 12,000 to 18,000. Despite a short-term blow to tourism, three new hotels are going up in Belfast.

Some sections of the business community, however, have voiced concern over the political impasse. In September, a group of industry and labour leaders took the unprecedented step of holding a meeting at Stormont with all the parties to urge upon them the need for a settlement.

The broad elements of that deal have been conceded by both traditions: a restoration of a devolved administration in exchange for an added Irish dimension through the setting up of cross-border institutional links with the Irish Republic.

The prospects for progress depend as much on events beyond Northern Ireland as at home. The US administration – critical in persuading the IRA to call its first ceasefire – has visibly cooled towards the republicans with the resumption of violence.

While the presidential election campaign is on, the Irish lobby will be hard to ignore. Only last week, Vice-President Al Gore told an audience of Irish-American businessmen in New York that "the President and I will do all we can to encourage those who would lay down their arms and walk on the path of peace". But with the election over, Ireland may well slip down the list of priorities for a new administration.

In Ireland, too, a general election next year could change the dynamics of the peace process. John Bruton's Fine Gael-led coalition has enjoyed cross-party support on the peace process.

But if the main opposition Fianna Fail party, historically the guardian of constitutional republicanism, emerges victorious, Sinn Féin may find it has a more sympathetic ear in Dublin.

A change of government in London is perhaps more likely. Labour has hitherto pursued a bipartisan approach. But Majorie Mowlam, the shadow Northern Ireland secretary, has indicated Labour might be more flexible on the terms for Sinn Féin's admittance to talks, if the IRA were to call a new ceasefire.

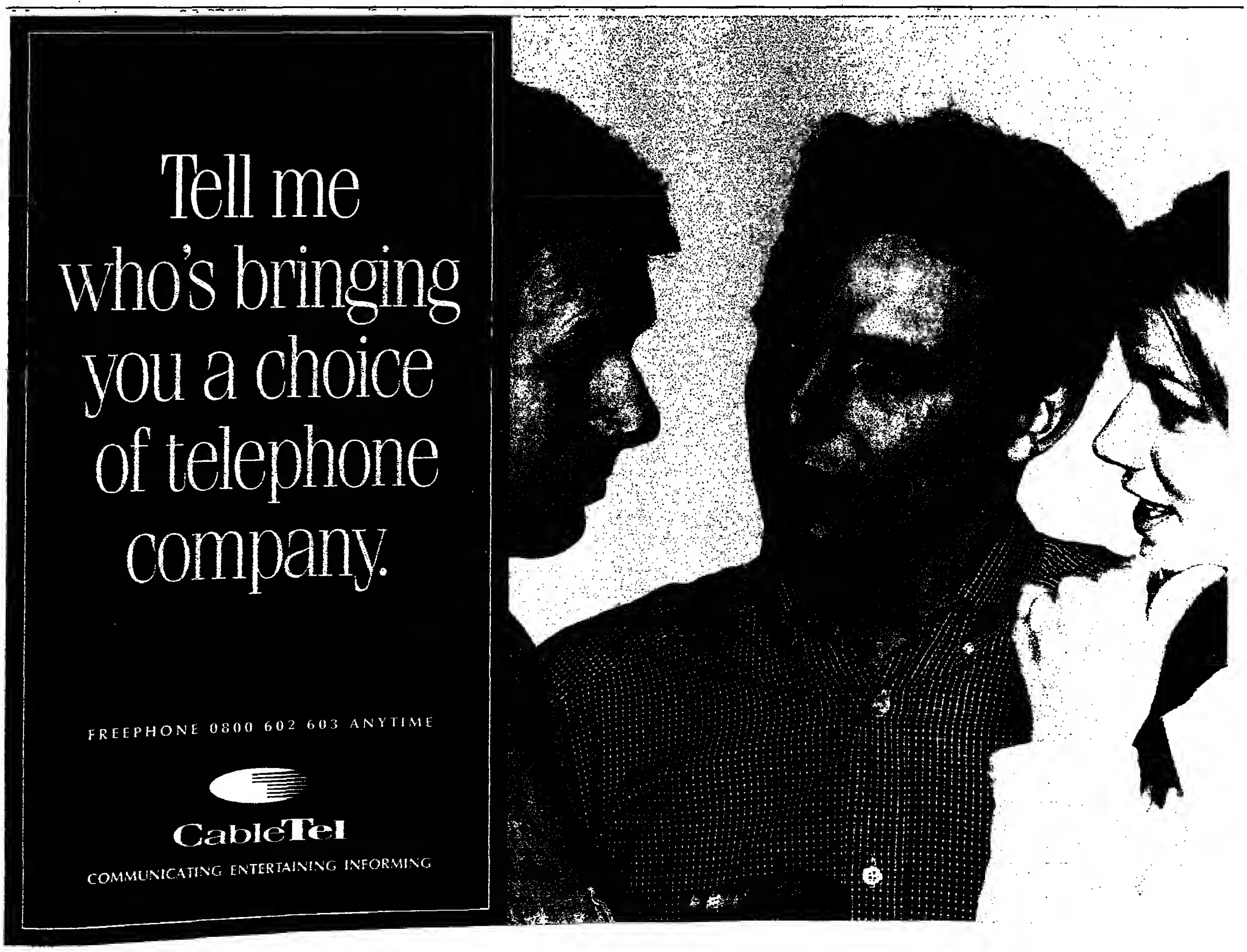
Ireland, however, is unlikely to be a key issoe in the British election. Prime Minister John Major has refused to let party advantage interfere with his stewardship of the peace process. But his wafer thin majority in the House of Commons, means he is wary of alienating the Unionists, who although loosely allied to the Conservatives, have recently flirted with Labour.

The government's approach has hitherto been one of incremental gains. A pre-election surprise on Northern Ireland has been ruled out, particularly after the announcement that Sir Patrick Mayhew, the Northern Ireland secretary is oot to contest his seat.

More critical could be the fall-out for the Northern Ireland parties. On the unionist side, the arrival of the small fringe loyalist parties represents a further fragmentation of the protestant vote. As ever, David Trimble's Ulster Unionists, the province's largest party, is anxious not to be outflanked by the Rev Ian Paisley's hardline Democratic Unionists. As polling day approaches, prospects of a breakthrough will recede as politicians take up entrenched positions.

Uncertainty prevails in the nationalist camp too. Sinn Féin achieved an impressive 15 per cent of the vote in the special election in May to elect delegates for the negotiations. The party could well overtake the moderate nationalist Social Democratic and Labour party, emerging as official interlocutor of the Catholic minority. This might play into the hands of moderates who espouse the political route. Whatever the response, Sinn Féin will be harder to ignore.

Prospects for the talks look increasingly fraught. But as ooe British official put it: "They're the only game in town".



Marjorie Mowlam: a contrast with the current secretary of state

■ **Labour policy:** by John Kampfner

Business as usual

Labour has made clear it would not alter principles guiding the peace process

What, if anything, will change in Ulster if Labour wins the next general election in the UK? Indeed, within a year, the British and Irish governments driving the search for a new settlement for Northern Ireland may well have changed.

Labour insists that Tony Blair, as prime minister, will not deviate from the principles that have guided the Anglo-Irish process for the past decade. Since being appointed by Mr Blair as shadow Northern Ireland secretary in 1994, Marjorie Mowlam has steered Labour along a firmly bipartisan approach with the ruling Conservatives.

Strains have been felt during that time, most recently in the government's response in January to Senator George Mitchell's report on weapons decommissioning, and in the Royal Ulster Constabulary's handling of the unionist march at Drumcree in July. But, time and again, Labour has supported government legislation relating to the province, and made clear it would not exploit the issue in any vote of confidence in the Tories at Westminster.

The stance taken by Ms Mowlam is radically different to that of her predecessor, Kevin McNamara, who as shadow spokesman on Northern Ireland for seven years pursued an agenda closely allied to Irish nationalists.

The clearest distancing of Labour's past was the party's decision this year not to oppose the renewal of the Prevention of Terrorism Act, legislation that gives the Home Secretary powers to exclude individuals from the British mainland. Twenty three Labour MPs defied orders to abstain in the vote, serving notice that a rump of the parliamentary party is opposed to the shift in Ulster policy.

The rebels are mainly left-wingers of the old order. Mr Blair, who has consistently ignored them, demonstrated his toughness last month when he warned Jeremy Corbyn he could be thrown out of the party if he hosted a book launch in the House of Commons for Gerry Adams, the Sinn Féin president. Mr Corbyn backed down.

One of the justifications given by Labour for its co-operation on Northern Ireland is that it has allowed John Major to face down the strong Unionist lobby among the Tories. Also, leaving what Ms Mowlam calls "not a cigarette paper" between opposition and government, has given it maximum manoeuvre with the Unionist parties, whose support would be crucial for any minority administration at Westminster. Unionism in recent years had virtually no influence in Labour, but that is beginning to change through the lobbying of a small group under Kate Hoey, MP for Vauxhall.

From its first day in power, a Labour government would have to pick up the reins of the multi-party negotiations in Belfast. Ms Mowlam, who is likely to retain her portfolio, has assiduously courted all the main political and business figures in the province. With her informal manner, she will provide a stark contrast with the current secretary of state, the somewhat aloof Sir Patrick Mayhew.

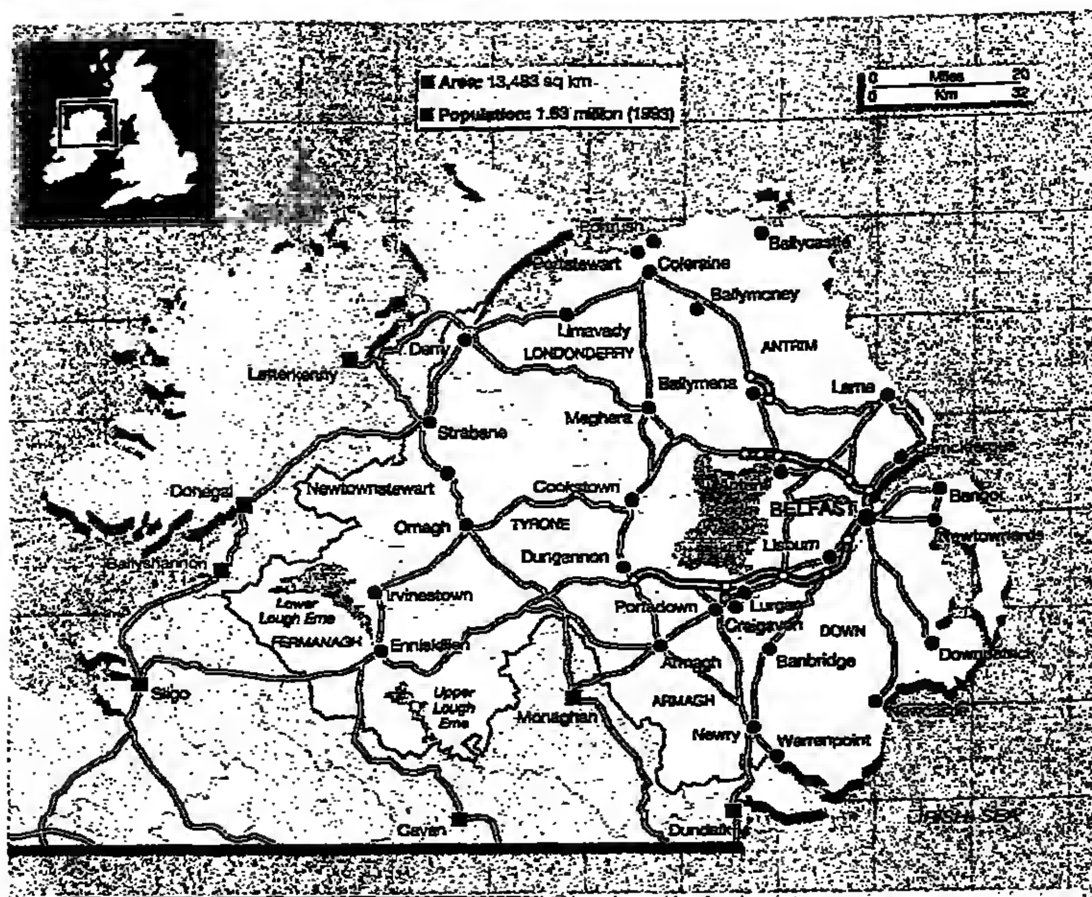
Curiously, the two have developed a good working relationship, with Sir Patrick allowing his senior officials to brief Ms Mowlam and Mr Blair regularly on the political process. Recently Ms Mowlam visited the Maze prison to discuss the loyalist ceasefire with its inmates. High-level contacts with Sinn Féin were broken off after the resumption of IRA bombing last February.

Mr Blair has made clear he will not soften conditions for Sinn Féin's entry into the talks or be less tough on terrorists. So far he has kept only a passing eye on Northern Ireland. But in his speech to the Labour conference, Mr Blair said the issue would be "as much a priority for me as for John Major". He warned loyalists and the IRA they had a duty "to take the path of peace. Honour it and you shall play your part. Fail in that duty and I swear to you the search for justice and reconciliation will carry on without you".

While maintaining the current approach on the talks, Labour insists it will differ from the present on a number of day-to-day issues. It will introduce reforms of policing, put a greater emphasis on fair employment, and pursue plans for an independent commission to arbitrate on sectarian marches.

Labour will also support more vigorously partnership projects established by the European Commission, bringing with them a large influx of EU regional aid. It will incorporate into law the European convention on human rights, and a freedom of information act, with ramifications for the province, as well as a bill of rights specific to Northern Ireland.

But, as Ms Mowlam points out, consent of majority Protestants in Ulster and minority Catholics will ensure that neither a united Ireland nor the status quo will remain viable. The search for a new political arrangement will continue with at least as much vigour under Labour as the Tories.



Economic summary

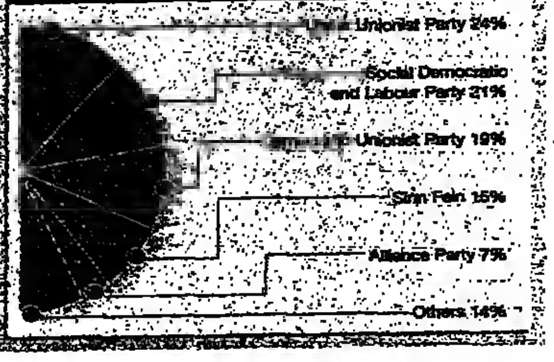
	Northern Ireland	UK
Total GDP[1,2] (£m, current prices)	[illegible]	[illegible]
GDP per head (£)[1,2]	8,025	9,768
Average gross weekly earnings (£)[7]	[illegible]	[illegible]
Average dwelling price (£ '000)[4]	42.5	63.2
Total VAT-based enterprises ('000)	[illegible]	[illegible]
Net capital expenditure (£m, 1993)	313	12,583
Unemployment rate[4,5] (%)	[illegible]	[illegible]
R&D performed within business[3] (%)	0.4	1.4
% of GDP derived from[1]		
Agriculture	10.5	1.8
Industry	35.5	32.3
Services	54.0	65.9
Employment share (%)		
Agriculture	10.5	1.8
Industry	35.5	32.3
Services	54.0	65.9
Direct inward investment[8]		
Manufacturing	17	360
Non-manufacturing	2	112
Value of tourism (£m)		
UK residents	152	15,495
Overseas residents	90	9,820

[1] 1994. [2] less continental shelf and statistical discrepancy [3] 1993. [4] 1995. [5] ILO definition. [6] 1995 for Ireland, 1994 for UK [7] All industries and services, males, April 1995. [8] Projects/businesses [9] % of regional GDP.

Chronology of the past two years

- Dec 15 1993: British Prime Minister John Major and Irish counterpart Albert Reynolds unveil the Downing Street Declaration which seeks to find peace in Northern Ireland.
- Sept 1 1994: Irish Republican Army announces ceasefire.
- Oct 14: Pro-Union 'Loyalist' guerillas start truce.
- Dec 9: British government officials hold first public meeting with Sinn Fein, political wing of IRA, in 22 years.
- May 10 1995: Britain ends 23-year ban on ministerial talks with Sinn Fein. The two sides meet to review how to secure peace.
- June 18: Sinn Fein formally breaks off exploratory peace talks with Britain, angered at British attitude to IRA arms.
- Nov 30: US President Bill Clinton visits Belfast and Londonderry.
- Jan 24 1996: The Mitchell commission proposes all-party talks alongside a phased surrender of guerrilla weapons. Major proposes elections in Northern Ireland to pave way for talks.
- Feb 9: An IRA statement says it is abandoning the ceasefire. A bomb blast in the Docklands in the east London area injures 100 people and kills two.
- Feb 28: Major and Bruton revive peace process and announce June 10 date for all-party negotiations. They say Sinn Fein will remain outside unless the IRA ceasefire is reinstated.
- May 30: Elections in Northern Ireland for Peace Talks Forum, to run alongside all-party peace talks, see Sinn Fein take 15 per cent of the vote.
- June 10: Multi-party talks on the future of Northern Ireland begin in Belfast, but Sinn Fein is excluded.

Share of the votes



■ **Multi-party talks:** by John Kampfner

Players still at the table

Despite serious set-backs, no one has yet dared to pull the plug on the peace process

They could not have started less auspiciously. The multi-party negotiations on Northern Ireland, the holy grail for the British and Irish governments and for several of the political parties, almost collapsed the day they began on June 10.

Ten parties were to gather at a nondescript government building on the edge of the forbidding Stormont estate east of Belfast. They had received their mandate at elections on May 30.

In the preceding years, London and Dublin had held out the talks as the final stage in determining a new arrangement for Ulster. They were to enshrine a new era of democratic politics, with politicians eschewing the demagogy that had characterised many of their approaches. It was not to be.

The first day was dogged by the arrival of a Sinn Féin cavalcade demanding to be let in. The party had been refused entry to the talks because of the IRA's refusal to restore the ceasefire it broke by setting off a bomb in London in February. Inside, the building, the main players were exchanging insults in the corridors. The Unionists said they would obstruct the process at each step unless they got their way.

Their first objection was the appointment of former Senator George Mitchell, President Bill Clinton's envoy to the province, whose report on the issue of paramilitary decommissioning had been largely well received in January. Mr Mitchell's problem was that he was American. Unionists, arguing he was inherently biased, called for him to be removed. One official recalls that Mr Mitchell and his Canadian and Finnish deputies, John de Chastelain and Harri Holkeri, were on the point of packing their bags.

They didn't, and the talks ground into action. It took British ministers several days to persuade the main unionist party, the Ulster Unionists, to give Mr Mitchell a chance. The other two more recalcitrant groups, the Rev Ian Paisley's DUP and Robert McCartney's UKUP, dropped their threat of a boycott – but only after a long struggle.

Officials clung to every minute sign of progress. Mr Mitchell's aim was to avert a walk-out by any of the main players, which would have led to a collapse in the talks and raised prospects of a descent into all-out violence. Each IRA terrorist attack during the talks made his task more desperate.

On July 29, a small but significant breakthrough occurred. David Trimble of the Ulster Unionists and John Hume of the SDLP settled on the outlines of the way ahead. They agreed on the definition of the consensus needed for progress. This involved the two governments, a majority of the parties at the table, and a majority of both the minority nationalist and majority Unionist communities. The UUP and SDLP, backed by smaller moderate groups, could achieve that. The onus would be on the hardline DUP and UKUP to join them.

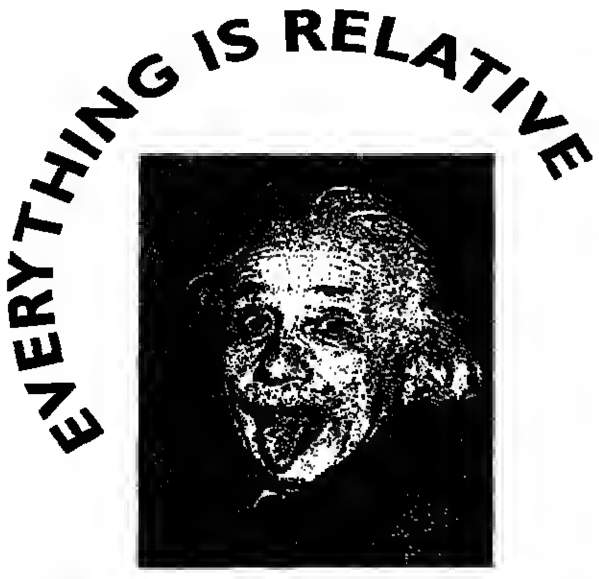
After a long summer break – peppered with the crisis over sectarian marches – the negotiators returned. Few hopes were invested, as the parties had yet to agree an agenda for the opening of the talks.

However, even that hurdle was overcome in early October. For the first time, the international arbiters allowed themselves a modicum of confidence. The vexed issue of the decommissioning of paramilitary weapons was to be addressed. Any group linked to terrorist organisations – the loyalists and Sinn Féin – would have to agree to some form of hand-over before the negotiations concluded – a hypothetical stipulation as each IRA bomb appeared to harden terms for Sinn Féin's entry into the talks.

After discussing the broad outlines of decommissioning, the talks are due to divide into three sub-sections, laid down by the two governments in their joint framework documents in February 1995. The first "strand" involves new internal arrangements for the province, including some form of assembly; the second, and the most controversial, sets out cross-border co-operation between Ulster and the Irish Republic; the third relates to relations between London and Dublin. Mr Mitchell hopes they could be running by the start of 1997.

The bottom line will be the politicians' commitment to making compromises needed to move the process forward. All must look over their shoulders. Mr Trimble has taken a risk in making overtures to moderate nationalists. Mr Hume has antagonised some in his community by accepting Sinn Féin's political isolation.

Much will depend on Mr Paisley and Mr McCartney, who are vying to outperform each other according to the traditional Unionist doctrine of seeing any concession as tantamount to heresy. Much of it is posturing. A point that could have been made in a few minutes has often taken three hours of hectoring. Yet all the permitted participants are still there. For all the problems, no-one has yet dared to pull the plug on the process.



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■ ***Economy:*** *by John Murray Brown*

Success for the fleet of foot

In a climate where confidence is elusive, the ability of business to adapt is crucial

Confidence is an elusive business attribute, and nowhere more so than in Northern Ireland. A survey by accountants Coopers & Lybrand earlier this month suggested 80 per cent of businesses are concerned that the political instability could affect their trading performance, with less than 40 per cent forecasting an improvement in the economy. Such lack of certainty does little to help business, although local companies are notoriously resilient.

Take this year's Smart awards, the DTI's national campaign to support innovation by young companies. Radiocontact, a small electronics company in Castlereagh had been a winner on two earlier occasions during the "Troubles", with its proprietary alarm systems for the security service industry.

With the ceasefires, interest from the Ministry of Defence dried up. Plans to install the product at Belfast's Aldegrove airport were put on hold. As a result the company was forced to look more at civilian applications of its technologies – winning again this time with an integrated circuit for use with video on demand systems in hotels.

Such adaptability is vital for the small and medium sized enterprise sector, which is the driving force of the economy, accounting for 70 per cent of business activity. Innovation has been one of Northern Ireland's main assets. The problem traditionally has been persuading locals to stay in the province.

Peter Keeling, another winner of the Smart Award, like many fellow Ulstermen, seized on the improved political environment following the ceasefires to return to Northern Ireland with his family.

He gave up a job at the drugs company Wellcome, to start Molecules To Market – a small research-based operation in the nationalist Andersonstown area of west Belfast, making an easy use diagnostic kit for managed care centres.

Like many small businessmen, he is worried about the future. "The uncertainty is an everyday management problem for us, but its a real problem for our customers. The one concern is can we attract investors to Northern Ireland?"

The Industrial Development Board suggests there is little immediate correlation between political developments and the investment decisions of foreign companies.

The province attracted 10 new investments in 1995-96 compared with 17 in the previous two years. The number of jobs created, either by new or existing inward investors, rose from 3,141 to 4,869 in 1995/96. Manufacturing employment is now back up to levels of the early 1990s, reversing a downward trend in the UK as a whole.

Indeed, the province won 9 per cent of all new jobs promoted in the UK in the period 1994/95.

Cooper & Lybrand suggests that the IDB may be failing to get its message across.

Their survey shows that the experience of doing business in Northern Ireland, in terms of the costs and the quality of the infrastructure, is in practice much better than companies anticipate when they first arrive in the province.

For the short term, the economic outlook remains robust. Consumer demand is rising, fuelled by rising disposable income, and lower mortgage costs.

New private house starts rose by 4 per cent last year and this growth was carried through to the first quarter of the current year, when new starts were 20 per cent higher than the similar period in 1995.

Bank lending is increasing. The Bank of Ireland reports a fourfold increase in corporate activity as Northern Ireland firms start to take advantage of the increased international interest in the province.

Hambro Northern Ireland Venture Managers has just completed its second deal under a £12m venture capital fund, part financed by the European Union.

Continued on page 4

"You cannot create experience, you must undergo it."

Albert Camus (1913-1960)

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Hard times: farmers at the Saintfield livestock sales yard, County Down Tony Andrews

■ **Agriculture:** by Michael Drake

Putting on a brave face

The past six months have left the province's farmers down – but not out

If you are a sheep farmer, a pig producer or a poultry processor in Northern Ireland you may have good reason to smile. But for those involved in red meat production it is a different story. For them, the past six months, which have seen the European Union ban UK beef exports and call for the phased cull of British herds, have been a sort of hell.

Northern Ireland's farmers are the backbone of the province's economy. Farming is by far the largest industry, employing about 60,000 people out of a total workforce of 760,000. Total income from farming, which measures the return to farmers and all members of their families working on farms, last year amounted to about £340m – 8 per cent up on 1994.

The beef sector, which represents 12 per cent of the entire UK herd, accounts for two thirds of gross farm output. Unlike the rest of the UK, which consumes all but a fraction of its production, the province relies on exports for 80 per cent of output. Northern Ireland is thus uniquely vulnerable to the crisis.

First Trust Bank estimates the lost revenues resulting from the enforced cull at about £100m. The knock-on effects could be considerable: investment in plant and machinery is slowing down; cattle haulage companies are feeling the pinch.

Cattle prices are down 25 per cent on this time last year and some farmers report losses of £150 to £200 an animal on the livestock they have managed to sell.

While a year ago farmers were receiving 236p a kilogram for top-quality steers, they now have to be content with a return of about 186p a kg. Those who depended on the normally lucrative suckler autumn calf market have had to bite the bullet and take prices that are on average £100 lower.

Without the safety net of the European Union's system of intervention prices, producers would undoubtedly have gone to the wall.

Even at the gloomiest times, however, there are some who remain optimistic.

"If we can get a certified herd scheme in place and if we are allowed to meet the timetable for the cull of animals, we can get the market open again into Europe," says Greer McCollum, the beef farmer who heads the Ulster Farmers Union.

"That would provide some stability but we would have to accept lower prices than those we were receiving before the BSE bombshell," he says.

Least affected have probably been the farms that have diversified. Sheep prices are much higher than at this time last year, thanks to an increased demand for lambs. White meat producers such as pig farmers and chicken processors have benefited as consumers switch from beef.

Government aid in recent months is another factor in farmers' favour. Of the £30m allocated to the UK slaughtering industry, £3.7m has gone to the aid of Ulster farmers with another £10m or so helping renderers process animal waste at the rates that prevailed before the crisis.

> It is too early to anticipate structural changes in the industry as a result of the mad cow crisis

Support under a marketing scheme has provided the province's farmers with £4.6m, while another £15.3m has been paid in supplements to the Beef Special Premium and Suckler Cow Premium Schemes. Others have benefited to the tune of £12m under the Hill Livestock Compensatory Allowance scheme.

It is too early to anticipate structural changes in the industry as a result of the mad cow crisis. The number of active farms – at just under 28,000 – represents a small 2 per cent drop on last year.

Unlike other parts of the UK where many farms are held under tenancy agreements almost 60 per cent of farms in Northern Ireland are family owned or, in a few cases, subject to long-term leases.

The sector has been in slow decline for some years. While there may still be more sheep than people in Northern Ireland, the province's flock dropped by 2 per cent to 2.5m in 1994. The pig sector has seen a consolidation.

The number of holdings is now about 60 per cent of the levels in 1991. Over the same four-year period the average size of pig herd rose by 38 per cent.

Contraction is equally evident in the arable sector, with 20 per cent fewer farms now growing cereals. Similarly, the number of potato holdings is now one third lower than four years ago at 1,800. The dairy herd too has shrunk by 1 per cent to 271,500. Ironically, only the beef herd has managed to maintain its numbers, standing at 278,000 head.

With farm values in many cases exceeding £3,500 an acre, many landowners would be considered millionaires, were it not for heavy burdens of debt to banks and other lending agencies.

Few would want to sell. But before the BSE crisis is over some may well have to leave the land they inherited from their fathers.

PROFILE Monika Wulf-Mathies

Europe's healing hand

EU funding, according to the commissioner, has a crucial role to play

Monika Wulf-Mathies: 'I think we can draw lessons from this for the use of funding in other areas'

Monika Wulf-Mathies, Commissioner for regional policy, clearly believes Europe can make a difference in Northern Ireland.

The former German trade union official, entrusted with distributing a total regional aid budget of Ecu150bn (£122.40bn), is particularly proud of the Ecu300m earmarked for Northern Ireland's Peace and Reconciliation Initiative.

"This is what the European Union is all about, helping to heal differences and bring communities together," she says. "I think we can draw lessons from this for the use of funding in other areas."

The objective of the programme, which was agreed at the Essen summit in late 1994, was to underpin the paramilitary ceasefires by supporting groups directly affected by the "Troubles" – both the victims and the perpetrators of violence.

The money, to be disbursed over three years, is being given to projects on both sides of the border, 20 per cent to the six border counties of the Irish Republic which were deemed also to have suffered, while 15 per cent of the total funding is for cross-border projects.

The project has had its teething problems. When the IRA bombed Canary Wharf in February, signalling the end of its ceasefire, Mrs Wulf-Mathies was quick to announce that the funding would continue unaffected.

Only this month, the European Parliament's budget committee had voted to cut the programme because of the slow take up of the money by the local organisations.

The Commissioner, clearly incensed at the damage such a decision would have had on the EU's standing in the province, accused the parliament of a "lack of solidarity" with those communities who suffered the most.

"It sent the wrong political message and put at risk the links we're establishing across the divide," she said. "If you want to get people involved they need to have a clear perspective of what is happening." However, the decision was reversed by a full plenary of the parliament on October 24.

Past disagreement between the Commission and the British government over EU funding had emerged, with the Commission accusing London of using EU monies merely to top up, or worse still replace, existing national programmes.

"We had some problems in the past. But we're happy the British government is committed to making this money additional [to existing programmes]," says the Commissioner.

British officials were at first a little wary of the programme. The government, which under normal EU arrangements is held responsible if a project goes wrong, wanted to be able to monitor the programme. A compromise was agreed whereby the government would be a co-signatory of the funding.

At a special conference in Belfast in early 1995, the Commissioner turned a few more heads with her proposal part of the money could go to ex-paramilitary prisoners. She said she wanted to see the funds promote what she called "social inclusion". In response, the British government quickly announced it was droping its "vetting" of community groups – used in the past to stop government funds being diverted to the paramilitaries.

The programme was unique in other respects. Decisions on how to disburse the money were only made after a lengthy consultative process with local groups – another reason for delays.

In a further bid to win over local communities, Brussels commissioned its own study of the deprived areas to establish those in most need.

To get the money to those most affected, the Commissioner decided that only part of the money would be distributed through government bodies. Instead, local organisations would be directly targeted, either through so-called "intermediary bodies" such as the Northern Ireland Voluntary Trust, ooe of the largest recipients. In addition, new "area based partnerships" involving the 26 local councils, business and the voluntary sector, would be invited to submit project ideas.

There have been delays, particularly in agreeing the formation of the new partnerships which are intended to be cross community. According to Commission figures, only Ecu34m has so far been disbursed of the total EU contribution of Ecu300m – the balance being matching funds from the two governments. But Mrs Wulf-Mathies confidently predicts that about Ecu100m will be spent in 1996 and a further Ecu160m in 1997.

Earlier this month, the Commissioner was in typically enthusiastic mood, announcing funding for a further 200 projects, including a childcare project in Strabane in the west of the province, one of the worst poverty blackspots and a staunchly republican area.

John Murray Brown

■ **Laganside:** by John Murray Brown

The second act begins

The corporation's new chairman is expected to focus on investment and job creation

Laganside Corporation is to have a new chairman. Tony Hopkins, senior partner of Deloitte & Touche Northern Ireland, is to succeed the Duke of Abercorn as the head of Belfast's £130m riverside development project.

The appointment, expected to be announced in the next few days, opens a new chapter in the story of the regeneration of Belfast's inner city. If the Duke of Abercorn was the catalyst in winning government backing during the project's formative years, Mr Hopkins sees his main task as promoting private sector investment and bringing jobs to the area.

Belfast's docklands once boasted the world's largest rope-making factory and one of the largest shipyards, while Northern Ireland was the heart of the UK linen industry. The area has long since been abandoned by traditional industry. Today, like many old European cities, Belfast is striving to reinvent itself.

Under an order in council in 1989 establishing it as an urban development agency, Laganside was designated 140 acres abutting a tidal river, comprising sites ranging from disused docklands to the redundant and contaminated area of the old city gas works. "I remember when it was a open air cattle market," says Mr Hopkins of the area where the Hilton Group is building a £29m 180-room luxury hotel.

The locations are now owned either by Belfast City Council, the Harbour Commissioners, or the Corporation itself. To date, the scheme has been supported by £70m in grants from the Treasury or under European funding programmes. In such blighted surroundings, there was an official recognition that the project would be infrastructure-led, as the authorities cleared the site before marketing the investment.

But as the physical infrastructure improves, the planners are turning their minds not just to the commercial exploitation of the site but to local community regeneration through residential housing schemes and the integration of the area with the city centre.

In its annual report for 1995-96, the Duke of Abercorn says the highlight of the past year was the "demand and subsequent increase in the value of waterfront housing" – all of which will help to breathe life back into the area.

When the project was launched, one of the first tasks was the construction of a weir across the Lagan. The weir, which cost £14m, was designed to regulate the tides, avoiding flooding in winter and the summer dry spells which affected water quality. It also meant the unsightly mudflats became a thing of the past. "There used to be a time when you could race at high tide, but then when the tide went out, there was only room for one boat," says Mr Hopkins.

Sewerage pollution on the river was also a hazard, with the system overflowing into storm drains during bad weather. Today the corporation has introduced a method of screening the sewage outfalls. The long-term plan is to improve the city's entire sewage system.

The water probably would still not be clean enough for swimming but already salmon have been caught above the weir. The corporation dredged 100,000 tonnes of silt, creating a potential recreational area 4.5km long. Oarsmen were delighted. The Lagan Lookout group now conducts tours for school children and others around what was once one of the city's blackspots.

George Mackey, Laganside's chief executive estimates there is an opportunity for £500m of private sector investment, and "the potential for much more in the future".

The first big break occured when Ewart, the main developer, agreed terms with the Hilton group. The hotel, due to open in the summer of 1998, is also to receive a £7m government grant. Ladbroke, the leisure group which owns Hilton's operations in the UK, has underlined its confidence in the project by taking a large equity stake in the development. Typically Hilton's interest would be by way of a management contract, says Mr Hopkins. Also on Lanyon Place is BT which is leasing 150,000 sq ft of office space in which to relocate all its Northern Ireland operations.

At the other sites, the Clarendon Docks reports record office lettings. Clients include the Northern Ireland Council for Curriculum Examinations and Assessment which is locating a 50,000 sq ft centre. Earlier this year, the city council was awarded £3m by the National Lottery for the restoration of the 19th century St George's Market, one of the UK's largest fruit markets under a single roof.

The showpiece is the Waterfront Hall a 2,235 seat concert and conference centre. Belfast City Council, the £30m facility's owner, plans to open it in the new year with a concert programme headed by James Galway, the Ulster-born flautist.

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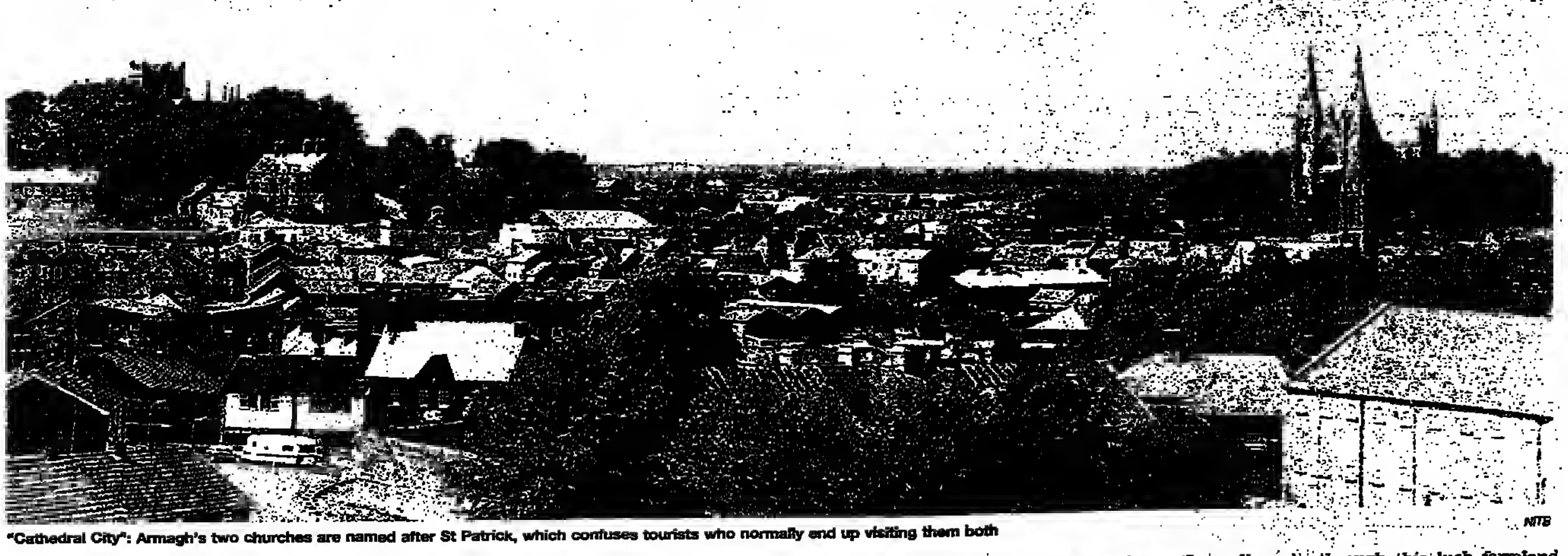
■ **Armagh:** by Joris Minne

Across the religious divide

Co-operation between churches has helped the city stay aloof from the troubles



"Cathedral City": Armagh's two churches are named after St Patrick, which confuses tourists who normally end up visiting them both NITB

When Bishop Sean Brady takes over the helm of the Roman Catholic Church in Ireland from Cardinal Cahal Daly later this year, he will be the latest in a line which goes back some 1,500 years to St Patrick himself.

Ireland's patron saint has a special place in the country's identity. The church he founded in the city of Armagh is now the ecclesiastical capital of Ireland.

Each March, across the world an estimated 40m of the Irish diaspora remember the holy man, who banished snakes from the island, reinforcing their own identity in much the sama way as the British Royal family does for the British state.

While American Irish tend to fete St Patrick with green beer and colourful city centre parades, home grown Irish revere him with more solemnity marking the saint's day on March 17 with masses, services and visits to the graves of deceased cardinals.

Whatever way he is remembered he is almost certainly the world's best known Irishman.

Armagh is just 40 minutes drive south west of Belfast – the department of environment alerts tha errant driver with large road signs depicting in silhouette the twin spires of the aptly named "Cathedral City".

On the drumlin hills of this elegant Georgian town, the Roman Catholic and the Church of Ireland cathedrals tower over the pink stone streets. Both are named after St Patrick, which confuses tourists a little. They normally end up visiting both churches and in so doing cross the religious divide.

Cardinal Brady and his Church of Ireland counterpart *Bishop Robin Eames* are not alone. Baptists, Presbyterians and Methodists all have meeting halls and places of worship in the city. Even the Reverend Ian Paisley, MP who heads his own Free Presbyterian congregation, has established a church in the town.

Thanks in large part to the co-operation between these various church organisations, Armagh has survived much of the turbulence of Northern Ireland's recent history.

To some extent the leaders of today's churches are following St Patrick in showing acute political acumen. Mr Paisley may have claimed Patrick as a "Brit" but the saint himself was more sensitive to local tradition when he established his church in the year 450.

By tha time he arrived, Armagh was the heart of an old and daclining Celtic empire populated by princes, *queens, warriors* and *druids* – a sort of Ulster Camelot. By one account, St Patrick was given the land to build his church after he resuscitated the local chieftain's dying horse.

Today, the city has developed alternative attractions. The Royal Irish Fuseliers have their regimental museum in the town. Navan Fort, the site of the ancient capital of Ulster has also been restored.

The town was the one of principal sites of the Irish scientific enlightenment, with the Armagh Observatory built in 1790, by the then Church of Ireland primate Richard Robinson. Today the city boasts the only planetarium outside London's Baker Street.

But the main draw for the tourist is the city's connection with St Patrick. The surrounding countryside is dotted with landmarks commemorating events in the saint's life.

Near Keady, 10 miles south of the city is a hills called St Patrick's Chair, where he is said to have rested from the weary work of converting proud Celts into meek Christians.

Many would have been baptised at the nearby St Patrick's Well at Mullacreevy, on the outskirts of the town. Here St Patrick is said to have fallen asleep, dreaming that an angel told him that his church was to be the centre of Christianity in all of Ireland.

Patrick was not the only man attracted to this site. In earlier times, tha well, and the raglin tree nearby was a focus for pagan worship.

Today people in Armagh still remember the tradition of tying rags to the tree, in the belief that this was the way that wishes and dreams would be realised. Such is the continuing potency of the site to local people that plans to build a housing development had to be altered to preserve the tree.

In Blackwatertown, five miles from the city in the middle of County Armagh, St Patrick's has left a rather different legacy. Driving through this lush farmland, famous for its apple orchards, you enter the village from the west past the church of St Jarlath.

Seamus Hegarty, the village news agent and local historian says: "We know it as Clonfeacle. Feacle is the Irish word for a tooth." The story goes that St Patrick was picnicking in the nearby field when he hit into a piece of bread and lost a tooth. Locals say the holy molar is still there somewhere and anyone who finds it stands a good chance of sainthood himself.

PROFILE John McGuckian

An enterprise veteran

The image of Northern Ireland as a world of government quangos, run by mandarin appointees comes a unstuck when you meet John B. McGuckian. A former North Antrim pig farmer, and a Roman Catholic, his career reads like a Who's Who of Northern Ireland enterprise.

Mr McGuckian has seen, and lived through, even prospered, during the worst of the 25 years of terrorist violeoce. As a result, he has an almost unrivalled business perspective on the province.

"This place is light years ahead of where it was five years ago, 10 years ago. You can't imagine the murder and mayhem of those years," he says, in his blunt Ulster brogue.

He is best known outside the province as chairman of the government run Industrial Development Board, although he has interests in textiles, is on the board of Allied Irish Banks, is chairman of Ulster Television, the local ITV franchise and has a string of public service appointments.

This week the IDB published its annual report for 1995-96. The results underscore the big rise in job creation by foreign investors, much of the growth coming from those already in the province.

The year has not been without upsets, however. Benelux, the troubled Hong Kong-based audio cassette component manufacturer was forced to shut down its Limavady plant in September. *Mr McGuckian* argues that even in the private sector, things can go wrong. "We're not buccaneers," he says "We have to be practical but even in the private sector, *20 per cent of all capital* investment is wasted."

Some local economists have argued that it is the job of government to support projects of greater risk than those the private sector would be prepared to back. However, Mr McGuckian points out that any foreign investor coming to Northern Ireland has to convince the IDB it is "mobile" and that its business would be viable even without the government grants.

On this point, he is bitter about the demise of the deal with Hualon, the Taiwanese textile company, whose planned textile plant would have been the largest ever investment in Northern Ireland but is the subject of a challenge in the European Court.

Mr McGuckian describes as "vindictive" the lobbying by the British textile industry against the investment. Manufacturers claim the Hualon project represents unfair competition.

John Murray Brown

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■ **Tele-services:** by John Murray Brown

Engaged in a new line of business

With some success, the IDB is targeting call centres as an area of rapid growth

Remote working: companies involved include Cellnet, British Airways, Royal Mail, Prudential Assurance and Abbey National

If you have ever had reason to ring British Telecommunications' 150 or 151 London freephone service, you know the sweet burr of a county *Fermanagh accent.*

For the garrison town of Enniskillen in the heart of Northern Ireland's "Lakeland" is now the location from which BT provides customer services and fault reporting for the whole of the London area.

This is just one example of the remote location of call centres made possible by changes in information technology.

The shift in work patterns is particularly marked in rural areas – one of BT's employees for example travels to work by boat. But the changes are equally likely in urban settings.

Across Europe an estimated 6,000 companies operate call centres. These already employ about 130,000 people and are expected to create another 100,000 jobs by the year 2000 according to a Green Paper published by the European Commission last month.

The Republic of Ireland is the fastest growing area for call centres, but the UK has 4,000, earning revenues of Ecu450m (£367.20m) in 1996, according to Commission figures. Northern Ireland is targeting these tele-based services as a potential growth area – and with some success.

According to the Industrial Development Board, the government's investment authority, 1,530 people are employed in private sector call centres as well as a further 1,630 in the public sector, offering UK-wide or pan-European services in everything from airline bookings and computer support to direct banking.

The IDB is co-operating with BT, through investment in new technology and the provision of low tariffs in a bid to attract call centres to the province. The company employs 550 people in centres in Enniskillen, Portadown, Londonderry and Belfast servicing customers primarily in Britain.

Cellnet, British Airways, Royal Mail, Prudential Assurance and Abbey National are some of the *larger companies involved*, along with government departments such as the Customs and Excise, the Inland Revenue, the Passport Office, and the Child Support Agency.

"There is no reason why Belfast cannot quadruple the number of jobs in remote IT," says Tony Hopkins, the incoming chairman of the Laganside Corporation, the agency in charge of the regeneration of Belfast's riverside.

The IDB offers incentives, including grants of up to 50 per cent of the cost of buildings and telecommunications infrastructure. Employment grants are also available to help cover the heavy staffing overheads that are involved in such a labour intensive operation.

Over the past five years, BT has invested some £176m in establishing high bandwidth links to Great Britain and the Republic of Ireland and the installation of a fibre optic cable network.

The company now claims to offer one of the most competitive call centre packages in Europe, naming among its advantages a flexible discount structure calculated on call volumes for incoming and outgoing calls; up to two international freefone numbers per country free of rental charges from a current choice of 46 countries and; special rates for long-term contracts with up to 25 per cent discounts on the base rates for relevant countries on freefone services.

With some predicting the advent of the "cashless society", Northern Ireland seems well placed to take advantage of the changes.

Bruce Robinson, chief executive of the IDB says call centres are one of the fastest growing sectors. Dr Ivor McCaw, manager of BT's Belfast engineering centre says BT's local operation has already helped pioneer major new product innovations such as BT's per-second pricing of phone calls.

One of the more recent arrivals to Northern Ireland is Stream International, which has established its European headquarters in Londonderry. Stream was formed as a merger between Corporate Software and a subsidiary of RR Donnelly of Chicago, and is now the world's largest supplier of telephone based technical support for the computer software industry, with annual sales of some $1.6bn.

> One of the more recent arrivals to the province is Stream International

The company made and distributed software and technical manuals for Microsoft's Windows 95 program. In all, the company has 2,500 specialists handling 12m support calls in the European Union and the US.

Paul Kavanagh, president of Stream's international operations in Europe, the Middle East and Africa says the availability of high-quality, low-cost labour was a key attraction. The company wanted applicants with a good working knowledge of Dos and Windows programs. Those with a university or college degrees were preferred.

Sean McGarry, of the Training and Employment Agency says Stream had little difficulty filling the 500 places. One reason, he says, is that Northern Ireland is now spending more of its educational budget on computer training than any other UK region.

Stream was able to hire its first 30 customer support representatives within one week of making the decision to come to the province.

Says Mr Kavanagh: "We interviewed them on a Wednesday and by Sunday evening our first 30 employees boarded a plane to London for company training."

Confidence elusive

Continued from page 2

"The ceasefires opened up the province as a sort of emerging market for institutional investors and our fund has been able to exploit that opportunity," says Colin Walsh, who runs the fund.

From a low starting point, industrial production has risen 13 per cent in the five years to 1995, compared with 5.9 per cent in the UK and 3.6 per cent in the European Union.

As a result Northern Ireland productivity rates are closing the gap on the UK.

Unemployment is falling, although at 11.2 per cent of the workforce, it is still one of the worst rates of any region in the UK. Male unemployment is at 14.7 per cent. More encouraging, the level of unfilled vacancies has fallen over the past two quarters.

The government is also starting to have some success in targeting the areas of highest social need, through use of selectiva financial assistance. Of the 10 new investments, seven are located in economically deprived areas including west Belfast, Enniskillen and Cookstown.

Last year, in its economic strategy document for west Belfast, Sinn Féin, the IRA's political wing, actually commended the government for its attempts to target areas of social need.

But it also warned the loss of jobs resulting from the threatened closure of the Royal Victoria Hospital in west Belfast, and the scrapping of the Assisted Community Employment scheme will all but wipe out the gains made by these "progressive" investment policies.

With the resumption of the IRA's bombing campaign, the squeeze on public resources will be even more acute, as the government reallocates the health and education budgets to meet the increased security needs.

As before, the economic fall out from the violence will be hardest felt in those areas most dependent on the state.

■ **The economy:** by Gordon Cramb

Emu targets pose very few problems

Government debt is the only Emu criterion which the Netherlands fails to meet

The Dutch version of the current Ikea stores group catalogue guarantees its prices until August 1997. Consumers looking for a home to fill with such wares can get a mortgage from ABN Amro fixed for 17 years at a modest 7.7 per cent annual interest. Inflation holds few fears for those doing business in the Netherlands.

It is one of the criteria for participation in European monetary union which the country has found easiest to meet. One or two others havs been more troublesome, but the reaction among analysts to the government's annual budget unveiled last month was unanimous in deducing that the guilder will be among the founder members of the single currency zone.

The government deficit is to be brought down to 2.2 per cent of gross domestic product next year, well inside the Emu target ceiling of 3 per cent. In 1995, the dsficit ratio still breached those limits at 4 per cent, but the outturn for this year is projected at 2.6 per cent.

The only measure on which the Netherlands still fails to qualify is government debt. Mr Gerrit Zalm, finance minister, forecast this to emerge in 1997 – the year on which Emu eligibility will be assessed – at 76.2 per ceot of GDP. This would still be way above the notional 60 per cent maximum embodied in the Maastricht rules on monetary union.

But The Hague is hoping that progress from the 79.7 per cent recorded last year will be sufficient to establish the "clear downward trend" required as a fallback position for countries which otherwise fit the bill.

Even so, to achieve the reduction ths government had to resort to some deft financial engineering. Mechanisms auch as moving funds around in the state's accounts with the central bank brought nearly half the cut in debt from an expected 78.8 per cent this year. The rest came from economic growth itself as well as curbs in government spending and official subsidies, increased public sector efficiency, and a move into surplus on state social insurance funds.

GDP growth is on course to reach 2.5 per cent this year and 2.75 per cent in 1997. That is in spite of a less steady growth pattern in Germany, which takes a quarter of all Dutch exports and whose sneezes have in the past given its neighbour regular causs to blame for its colds. This time, as Dutch growth outpaces that of Germany for a fourth successive year, there is barely a sniffle.

In any event, the Netherlands' exposure to the German market is muted by the preponderance of agricultural produce in the export package it ships across its eastern border. Germans will always eat.

Worse, though, is when a slowdown in Germany coincides with a dull patch for world trade in general. So hy the same token, the internationally geared Dutch business sector is well placed to reap the benefits of the increased activity forecast by ths World Trade Organisation as the Geneva regime achieves a lowering of tariffs and other barriers over the next few years.

But for now, the economy is being supported by strong domestic trading patterns. In retail sales, for example, the year-on-year increase touched 7.1 per cent in August – consumer price rises are at the same time being contained to an annual 2 per cent.

Overall household spending is being given an apparently structural boost from a rise in employment – by one forecast, the 300,000 new jobs of at least 12 hours a week being created between 1995 and 1997 will expand labour demand by 5.4 per cent.

"The Netherlands is gradually making up lost ground in a number of areas," says Mr Nico Klene, ABN Amro economist. This year, for the first time in decades, the total number receiving state benefits will show a decline, he notes. "The central government financing deficit, the public sector expenditure ratio and the tax and premium burden have all returned to mid-1970s levels."

That was when the country's bountiful welfare system began to inflict macroeconomic scars. It left as a legacy a low labour participation rate – more than 10 per cent of those of working age are, for a start, classified as "severely disabled". Suffering from stress was often reason enough to be allowed to leave a job and draw up to 70 per cent of one's former salary until pension day.

Now each of those drawing benefit under the WAO, the Dutch acronym for the invalidity insurance law, is having his or her case reviewed by state-appointed doctors. Of those examined last year, 35 per cent had their payments withdrawn or reduced.


Gerrit Zalm: high debt forecast

This, combined with a smaller intake of new cases, again because of tighter criteria, has brought the number of "benefit years" being paid under the WAO by nearly 8 per cent to 742,400, according to figures this month from the Social Affairs Ministry.

The labour participation rate, substantially above 60 per cent in the past few years, compares favourably with a level of barely 55 per cent a decade ago, but still does not look good against a rate of nearly 80 per cent for Denmark, for example, and well over 70 per cent in both Britain and the US.

One consequence of this has been a per capita GDP which, although rising faster than its neighbours for the past eight years, still lags behind a swathe of countries ranging from France to Austria. At the same time, those in work bore a proportionately higher tax and insurance burden, as did their employers. Jobs were destroyed as a result.

In a study called "Benchmarking the Netherlands", the Economic Affairs Ministry last year measured the country against selected main competitors. Days lost through strikes were lower than anywhere except Japan. Reflecting high levels of education and workplace technology, the country ranked first in labour productivity, though at the low end of the scale when it came to use of labour potential.

Dutch trade unions are as prickly as any when jobs are threatened, and the country's social contract means that employers must tiptoe, consult, and sometimes shuffle backwards again. But in the past few years the union federations have leant more towards non-pay benefits for their members, as a result of which many workers in the public and private sectors will be on a 36-hour week from next year.

Which, if nothing else, gives them more time to spend at Ikea.


The country's bountiful welfare system began to inflict macroeconomic scars in the mid-1970s

INTERVIEW Wim Duisenberg

EMI helmsman

If Mr Wim Duisenberg takes a bullish stance on the common European currency, it comes as little surprise in light of his move to Frankfurt as chairman of the European Monetary Institute (EMI) in July 1997. More notable is the explicit assertion by the Netherlands' outgoing central bank governor that there will be a direct relationship between success in the currency convergence exercise and economic growth with resulting new jobs.

"A stable exchange rate regime can only improve the effective functioning of markets, thus brighten the European prognosis, and improve its capacity to generate new jobs," Mr Duisenberg says. For European policymakers – struggling to escape the crossfire unleashed by increasingly unpopular austerity programmes, which the Maastricht convergence criteria mandate – this comes as a hopeful notion indeed.

"The move towards Emu [economic and monetary union] has inspired governments to take necessary steps to improve the functioning of the labour market and reduce their role in the economy overall," Mr Duisenberg notes. "This will naturally help fight the unemployment problem – although it will perhaps do so more as a catalyst than as a fundamental factor on its own."

Head of the Dutch central bank since 1982, and also president of the Basle-based Bank for International Settlements (BIS), Mr Duisenberg observes that the Netherlands has "moved from a deficit that stood close to 10 per cent of GDP in the early 1980s to one of under 3 per cent this year. And precisely during this 10-year period, employment growth was faster than at any time in our post-war years. We have seen strong economic growth and a parallel increase in the flexibility of our labour market as well."

While growth in many countries has been accompanied by a widening of imbalances in how its proceeds are distributed, this has been moderated in the Netherlands by the country's social cohesion.

Mr Duisenberg has been widely tipped as the first head of the European central bank, scheduled to supersede the EMI in 1999. Meanwhile, even at the helm of the EMI, he will rank among the most influential of Europe's economic decision makers.

He is a strong supporter of German-style monetary policies, and has sided with Bonn in its insistence that strict limits on budget deficits must be maintained after monetary union begins. This reflects the Netherlands' interest in maintaining its close association with the D-Mark sphere, to which the Dutch guilder has been bound for 15 years through a policy of virtually identical interest rates.

Yet small, highly trade-oriented, and hard currency economies like the Netherlands will not be alone in enjoying Maastricht's benefits, Mr Duisenberg maintains – even if not all countries will qualify to join Emu simultaneously.

"The certainty of fixed exchange rates and the security that this will bring to entrepreneurs will be particularly pronounced for Holland, but all European economies are dependent on each other for more than half their trade," he says.

Mr Duisenberg brushes aside the concern expressed by a growing number of Emu critics – both within Europe and the US – that the currency exercise is profoundly ill-timed.

Mr Rudi Dornbusch of MIT, one of the more forthright among these pessimists, suggested in the October issue of Foreign Affairs that "experimenting with new money is a bad idea at a time when Europe must face the tough realities of abolishing the welfare state, reintegrating millions of unemployed into a normal working life, deregulating statist-corporatist economies, cultivating the supply side of its economy, and integrating Central Europe."

Mr Duisenberg dismisses the implied link between structural adjustments now being undertaken to bolster a strong single-currency regime and Europe's high rates of unemployment. "These have everything to do with the rigidities of the labour market," he maintains. (In his view, Europe's prolonged economic dip reflects cyclical rather than structural factors.)

Other sceptics have suggested that if exchange rates drop out of the economic equation, wages and prices will be left to take up the slack.

"I don't see this as a terribly serious concern. After all, are exchange rates a factor between northern and southern Italy? Or, for that matter, between England, Scotland and Wales? Of course not. Besides, one shouldn't overestimate their effectiveness. If you lose competitiveness and try to adjust through a devaluation, it will inevitably accelerate your domestic inflation. It's a one-to-one ratio – there just happens to be a time lag built in."


Duisenberg: tipped as first head of the European central bank

It is now evident that some countries will qualify for Emu membership before others. This will produce transitional dilemmas of some delicacy. However, Mr Duisenberg rejects any hint that current disagreements over the competitive terms and conditions of access to Emu's Target payments clearing system – specifically access to intraday liquidity from the European Central Bank – are symptomatic of a wider emerging tension between the emerging Emu "ins" and its "outs".

"This is primarily a technical issue. It has political and commercial overtones, to be sure, but I'm not sure how important they will really prove to be. Perhaps some commercial banks will independently decide to transfer their central treasuries and definitively place themselves inside the single-currency area," he suggests.

David Brown

■ **The stock market:** by David Brown

Strategy for a single entity

Amsterdam is defending its position as an international centre

The councils of the Amsterdam Stock Exchange and the Amsterdam-based European Options Exchange (EOE) have punched the "execute" button on a strategic programme to merge into a single operating entity.

The plan is aimed at defending Amsterdam's position as an international financial centre at a time when competition between Europe's capital markets is growing ever more intense.

Provided that details of the plan can be agreed and finalised by members this year, particularly the division of rights and responsibilities under the new regime, then both exchanges will be folded into a new public limited company, Amsterdam Exchanges (AEX), at the start of 1997.

The overall aim of the AEX is to attain better economies of scale and – as one bourse spokesman phrases it – to create "a one-stop shop" for trading in Amsterdam.

Within the new structure, a number of functions associated with clearing, settlement, plus management of the crucial informatioo delivery and exchange systems, will be carried out by independent operating companies under the AEX umbrella. The AEX will also assume day-to-day market oversight.

The membership of the Stock Exchange Association, traditinnally dominated by the oligopoly of big Dutch banks, together with that of the EOE, will each divide 25 per cent shareholding stakes in the new company, while the remaining 50 per cent of the shares will be offered to corporate and institutional investors. In the process, AEX will become Europe's first listed exchange.

Amsterdam's merger initiative is one of several unfolding developments. The illiquid, unlisted Dutch securities market is also to be revamped in response to similar steps undertaken in London (in ths form of the Alternative Investment Market), Paris (the Nouveau Marché), and Frankfurt (with its Neue Markt).

The aim is to attract more start-ups on to a new exchange, generate more liquidity, and to bring the local market under Amsterdam's supervisory regime. There is also an effort to co-ordinate information exchange among all of these new markets across Europe. The operating principle is that remote trades, while encouraged, should be effected and settled in the country in which the start-ups have their listed base.

The Stock Exchange has also introduced a new settlement system to insure that delivery of securities takes place at the same time as the corresponding cash payment – which promises to lower potential settlement risks – while the Options Exchange has had its teething problems with a costly new trading system known as "Switch" that was originally designed to snpport simultaneous dealings on and off the floor itself. Already installed, it is now undergoing a snbstantial reconfiguration.

Wisps of the re-organisational wind that has been sweeping at the surface of Amsterdam's markets are only now starting to penetrate the antechambers of actual power. Corporate governance in the Netherlands remains a highly cartelised affair. However, this is now recognised as an issue that ought, perhaps, be addressed.

The Stock Exchange, in co-operation with the Dutch Association of Stock Exchange Listed Companies, last summer launched a study aimed at defining best practices for company directors and supervisory boards. A report is expected at the end of this month.

The Dutch government has meanwhile proposed a wide-ranging package of anti-cartel measures aimed at opening the economy as a whole – one of which concerns the crucial issue of anti-takeover defences.

The Netherlands retains some of the strictest formal and informal anti-takeover defences in Europe. Despite pressures to partly unwrap this thick and impregnable swaddle and render management more accountable to shareholders – a compromise plan now awaits political disposition – speculation of the Anglo-Saxon kind remains a foreign phenomenon.

The country has still to see a successful hostile takeover bid.

While Dutch exchanges have avoided the more egregious corruption scandals that have plagued counterparts in Germany and France, they too have had their share of "embarrassments". These have raised concerns about the Stock Exchange's tradition of self-regulation, as well as about the independence of its management.

For example, during the summer, investigations into alleged insider dealing in shares and options on the drinks group Bols Wessanen led to a spate of arrests, not least within the company itself. In mid-October, the dredging and salvage company Smit Internationale also became a focus of possible concern.

Meanwhile, in September, the new Securities Board of the Netherlands (STE) was given a chance to prove its zeal in a murky affair surrounding Nusse Brink, a securities trading house which went bankrupt in 1993 after numerous unreported share transactions amid suspicions of running an extensive mooey laundering operation as well.

A report is expected evsntually; a separate judicial procedure will come to a head shortly.

Interestingly, all of this has done little to dampen investor enthusiasm, perhaps becanse of strong underlying economic fundamentals and a growing appetite among customarily risk-averse institutional participants to balance their bond-heavy portfolios with more shares.

This month, strengthened by the Dow's powerful performance and a rising dollar, the Amsterdam AEX has been trading at record levels. Strong performers include technology sector stocks as a whole plus many of the small- and medium-sized stocks that form part of the Midkap index. At the EOE, turnover rose 86 per cent in the first half alone.

Moreover, in January of this year, following implementation of the European Unions Investment Services Directive, the exchange opened a new chapter in the long-standing saga of rivalry between Amsterdam and London by launching a hard-sell campaign aimed at luring business from the City to the continent.

Amsterdam now offers Loodon-based investment banks the option of "remote membership" – which makes it possible to trade in equities listed in the Dutch capital from elsewhere in Europe – and has succeeded in attracting the London branches of UBS, the Zug-based Timberhill bank, and a third still-unannounced player into its web.

■ **Inward investment:** by Clay Harris

A well-established role

The Netherlands offers an unrivalled distribution network

The Netherlands knows its place in the world, and it is one that has changed remarkably little over the centuries.

With an economy dependent on trade, and an outward-looking business culture and workforce, the Dutch orientation towards international commerce has been constant, from the Golden Age of the 17th century to an era of "value-added logistics".

One manifestation is the country's courtship of inward investors. The effort to attract "footloose" companies to greenfield sites is led by the Netherlands Foreign Investment Agency, part of the Ministry of Economic Affairs. Such projects have accounted for Fl 2bn in investments and 3,000 to 4,000 jobs a year in the past two years, according to Mr Jochem Hanse, commissioner for foreign investment.

One of the NFIA's strengths is knowing where competitors have an advantage. For huge labour-intensive projects, a $1bn investment creating 8,000-12,000 jobs, for example, Mr Hanse admits: "Such projects are not our game. The difference in labour costs will be decisive." Apart from a few limited areas, moreover, the Netherlands does not have the carrot of huge sums in regional aid to dangle before prospective investors.

Mr Hanse is keen above all to avoid attracting companies on false pretences. "It's very harmful if people choose the Netherlands based on the wrong information," he says. Later tranches of expansion by satisfied inward investors are one sign that the NFIA's approach is working.

What the country does offer is an unrivalled distribution network with the world's busiest port at Rotterdam and one of Europe's leading airports at Schiphol. Industrial companies cite its highly skilled workforce, while service groups wanting to set up international call centres – a Dutch forte – are attracted by a huge pool of multilingual recruits.

Expatriate managers also remark on the eagerness of many Dutch to work for foreign companies, and the openness with which society accepts foreigners in their midst.


Hanse: 'adjustments possible'

The Netherlands is benefiting from changes in manufacturing patterns, as companies move their assembly operations closer in time and distance to the customer. Mr Hanse gives as examples bicycles and personal computers, products which a consumer might think about for two years but, once he has decided, want in two weeks, to a specific configuration.

For such products, it no longer makes sense to assemble far away and ship in. Parts can be manufactured elsewhere, then shipped for assembly closer to the customer. Such "postponed manufacturing" requires an excellent distribution network and access to technical skills sufficient to provide necessary after-sales service, maintenance and repair.

The principles do not only apply to consumer products. Outokumpu, the Finnish metals group, processes stainless steel at Terneuzen in Zeeland in the south-west of the country. Mr J.C. Klap, the general manager, says the original investment was driven in part by the need to cut transport costs, but it has been reinforced by developments in the market.

The country's bonded warehouse system also fits in with companies' just-in-time needs. Once their internal procedures are approved and licensed by customs authorities, companies are free to move goods without additional paperwork. By taking on this responsibility, subject to spot checks by customs officials, they achieve around-the-clock freedom.

The Netherlands can also offer prospective investors a level of predictability. Companies can get written agreements from tax inspectors about what their liability will be for fixed periods of up to 10 years. These contracts cannot be overridden by subsequent changes in government budgets.

The "social contract" questions that transfix certain Anglo-American views of continental European business have not proved to be a deterrent to investment. For one thing, says Mr Hanse, the Netherlands had a head start on many of its continental rivals in liberalising its job market. Certainly, the use of temporary or contract employees, with the consent of unions after negotiation, is far more advanced in the Netherlands than in other continental European countries, and gives employers a measure of flexibility.

On another issue that could influence the choice between European countries, Mr Hanse expects the prospective Dutch membership of the "euro zone" – if and when a common currency gets the go-ahead – to attract, rather than repel investors.

One of the few problems with the Netherlands is that there's simply not enough of it – in the right location, anyway. "More land", answers Mr Hanse, when asked what single change would make his job easier.

The main shortage has arisen in the corridor leading from the Randstad – the Amsterdam-Utrecht-Rotterdam conurbation – to the south-east towards the Ruhr. Through this area, which takes in much of the south of the country, run the main transport and distribution links with Germany, the Netherlands' single biggest market. For chemicals companies, especially, access to pipeline networks is crucial.

Mr Hanse is hopeful: "Until now, we have not had to say no to any project, and the corridor is widening". He concludes with a practised phrase: "The Netherlands is almost completed, but some minor adjustments are possible."

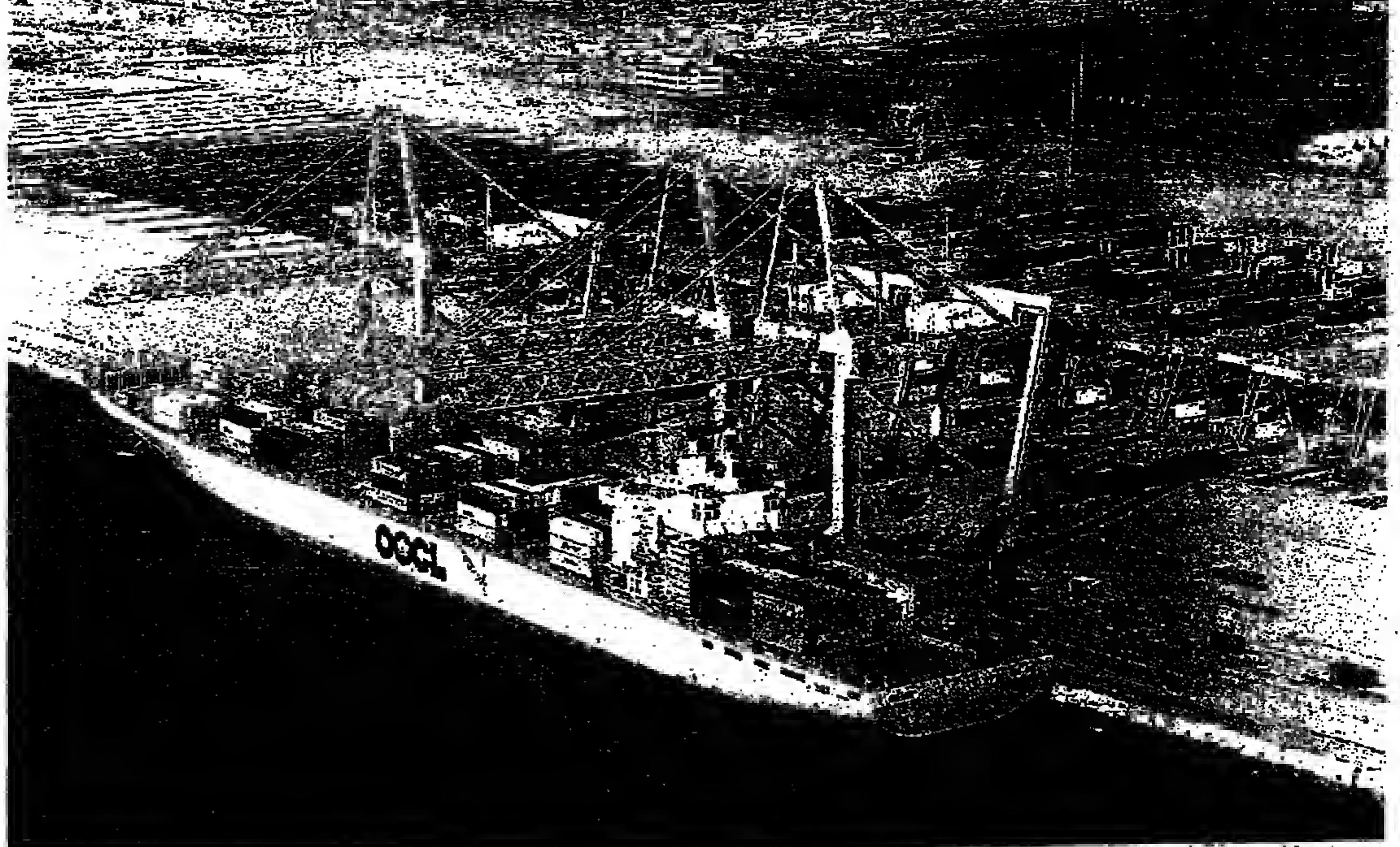
IBM chose Amsterdam

for its international logistic and distribution centre, because of the proximity of Schiphol Airport, the flexible customs rulings and the highly skilled labour.

Port of Amsterdam. More than just a port

■ Transport infrastructure: by Gordon Cramb

Coalition gives the go-ahead



The new Delta Dedicated East terminal in Rotterdam was officially opened last month. Employing only 100 people full-time, it handles upwards of 100 containers an hour

Public-private partnerships are tackling infrastructural needs

Several big infrastructural projects in the Netherlands have recently gained political endorsement after years of prevarication:

A high-speed passenger rail line from Amsterdam south to Paris, connecting with the Channel tunnel, and another fast train link east to Cologne. An all-freight track serving Rühr industry, from a Rotterdam harbour doubled in container capacity. An airport able at peak hours to handle the most flights in Europe.

"It has a lot to do with the new government combination," says Mr Hans van Dord, managing director of Heidemij Advies, part of the country's biggest engineering consultancy. "The inertia is gone – there is the trust and the determination to do something about these big problems in infrastructure."

The ruling coalition of social democrats, reformists and free-marketeers brought together two years ago has managed to forge surprising unanimity on what needs to be done to make the Netherlands work. For the left this means creating jobs; for the right it signals business opportunities.

This consensus stretches into the opposition ranks as well: out of 150 members of parliament in The Hague, only about 10 voted against a proposed fifth runway at Amsterdam's Schiphol airport. The case for the runway rests, unusually, on a reduction in noise. Locating it in a less populated area will mean that only 10,000 homes will fall within the most affected zone, compared with 17,000 at present. At the same time, it will provide Schiphol with the ability to treble cargo capacity to 3m tonnes a year, and handle 120 aircraft movements an hour – more than any competing facility in Europe.

This is of crucial importance to a hub airport for which as many as 39 per cent of its passengers are merely passing through. More than 25m passengers used Schiphol last year, up 7.6 per cent, and the government has imposed a ceiling of 44m which should be reached soon after 2005.

By then, some 5m should be arriving or departing by high-speed train. London would be four hours' rail journey away; Paris and Frankfurt three hours. "We don't regard this as a threat," says Mr Ruud Wever, an airport official. "Considering the other limits imposed on us... it enables more optimal use of our capacity to serve bigger aircraft for other destinations."

> Nearly two-thirds of domestic and international freight is conveyed by road

From Amsterdam to London via Brussels and the Channel tunnel is currently a seven-hour trip. A new track is to be built to Antwerp, its route agreed by the cabinet after wrangles with the Belgian authorities on cost and with Dutch interest groups on environmental and commercial considerations.

Unless overturned by parliament it will not, to the displeasure of The Hague municipality, call at the country's seat of government. Instead, it was proposed that the line cut directly through the so-called "green heart" within the conurbation which encircles Amsterdam, The Hague, Rotterdam and Utrecht. To appease environmentalists, an 8km tunnel would shield it from view.

At Fl 7.5bn, it approaches in cost the other most expensive project: the Betuwe line, which will connect Rotterdam port with the German industrial heartland. It will reinforce the position of what has long been the shipment point of choice for many Rühr products, to the chagrin of Germany's own ports such as Hamburg and Bremen.

Most of the traffic now goes by road. Nearly two-thirds of domestic and international freight is conveyed along by the country's increasingly congested highway system. While another third is water-borne, rail takes only 2.5 per cent.

This month, Mrs Annemarie Jorritsma, transport minister, announced the establishment of a consortium grouping government and industry. To be called ITS Netherlands, its aim is to develop logistical solutions for passenger, goods and information traffic. This follows her allocation of Fl2bn over the next four years "to direct freight transport into the right channels" and alleviate congestion.

As elsewhere, public-private partnerships are being used increasingly to tackle demanding infrastructural needs. A Fl 2.2bn investment programme has linked the Rotterdam city authorities with Europe Combined Terminals (ECT), a stevedoring operation which groups international shipping enterprises.

Its centrepiece is the Delta Dedicated East (DDE) terminal, a highly automated facility which had its official opening last month. Employing only 100 people full-time, it handles upwards of 100 containers an hour. Mr Wouter den Dulk, ECT chairman, sees scope within the harbour and environs for nearly a quarter century more of container development.

According to Transport Ministry projections, the port as a whole could be shifting 6m to 7m containers a year by 2020 compared with 3m currently. This is important in maintaining the position of a commercial harbour – still the world's largest – which directly and indirectly provides nearly 40 par cent of jobs in the greater Rotterdam area.

Amsterdam port, a sixth of the size, can nonetheless claim that its presence creates 40,000 jobs: nearly as many as Schiphol. Nissan ships hundreds of thousands of cars a year from there as far as Italy, and it handles the world's largest cocoa trade. The Greek-owned Ceres stevedoring gronp would like to to develop a container terminal. Only the biggest bulk carriers cannot negotiate its waters.

"These two characteristics – a fragile, densely-populated land having to cope with huge additional traffic flows to make a living – explain the extraordinary attention given to infrastructure issues in the Netherlands," says the Rotterdam-based European Centre for Infrastructure Studies.

Problems arise because it is "common practice to seek consensus even at the cost of slow planning." And while the Betuwe line and the two high-speed passenger train projects have the weight of Brussels behind them as designated Trans-European Networks, "Dutch infrastructure policy will face major problems over the coming years – caught between honouring European commitments and local demands to relieve congestion," it warns.

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■ Transport and communications deals: by Gordon Cramb

Gust of merger activity

Deals are likely to continue emerging as the transport sector is rationalised

Couriers of TNT, the Australian transport and express delivery group, are likely to have been kept busy in the past few months, shuttling corporate documents from the Netherlands to the furthest reaches of the world. A gust of cross-border merger activity has surrounded the Dutch transport, distribution and communications industries.

Destinations for that paperwork have included TNT's own head office in Sydney. KPN, the privatised Dutch posts and telecoms utility, last month launched a Fl2.7bn friendly bid for the Australian parcels group.

In what at times has felt like a sector reinventing itself, three main trends can be discerned. First, the country's expertise in modern logistical services is proving highly exportable. Boards of quoted pnblic companies in other western markets have in a number of cases been happy to recommend takeover bids made by Dutch-based rivals.

Second, in older-style, capital-intensive service businesses such as maritime shipping, international alliances are needed to meet competitive pressures.

Third, manufacturing of transport equipment is not something that a stand-alone company can any longer readily undertake, if it has to pay the Netherlands' relatively high wages. Such producers will go into foreign ownership, or go under. Sometimes both. And the order varies.

So as Fokker's remaining few hundred workers waited to hear on what terms Samsung of South Korea might be prepared to rescue tbe aircraft maker from bankruptcy, Daf Trucks this month accepted a Fl933m offer from Paccar of the US.

Daf, itself bailed out by the government from receivership 3½ years earlier, said the sale of the company offered "a broad array of opportunities whicb we could not realise independently." It sought to reassure its 5,000 staff by saying that while this allowed shared technology and sourcing, the business would continue as it was. But local commentators were sceptical.

Job cuts were clearly visible on the horizon as the Rotterdam-based Nedlloyd and P&O of the UK in September agreed to combine their container shipping activities into the world's largest such operator. They went on to agree the purchase by tbe British company of Nedlloyd's half share in their North Sea ferry services, run jointly for the past 15 years.

On cross-Channel passenger routes, the reshuffle will help P&O address the challenge of high-speed rail and airline price cutting. Tbe combined container unit aims to pare costs and reap economies of scale in what is a low margin business.

Fokker was already under foreign control Lydia van der Meer

At the same time, more of the world's traffic in bulk freight came under Dutch control as a result of the Fl521m agreed purchase by Pakhoed of Univar, the biggest North American distributor of chemicals. Pakhoed, as a result, became world leader in that sector, and is already adding further storage capacity in the US. Van Ommeren, Pakhoed's chief domestic rival in the bulk storage business, this month seid it wanted soon to expand its shipping side through a partnership or takeover.

Nothing in the freight business could be further removed from bulk chemicals than overnight courier and parcel services. The bid for TNT by KPN highlighted not only Dutcb ambitions in the sector but also how entrepreneurial a utility can become only two years after privatisation. Standard & Poor's, the US credit rating agency, said the deal gave KPN "a strategic opportunity to create a leading European-based time-sensitive freight business."

The KPN telecoms division has been spending the year collecting stakes in operators from Ireland to Indonesia. It is on a shortlist to hecome the partner which Telkom of South Africa needs to help it meet demand from black townships.

KPN's expansion is needed to offset lower domestic revenues after its monopoly on fixed-lina phone services within the Netherlands expires next July. Cable television operators and regional energy companies are among those which are to be awarded licences by the end of the year – as is BT of the UK in a joint venture with NS Telecom, an offshoot of the state-owned railways.

The rail network, too, is feeling the first breaths of competition. Lovers, a company which had previously confined itself to running tourist barges on the Amstardam canals, in August launched the country's first private train service and is seeking permission to enter five more routes next year, including a connection to Schiphol airport.

In the skies, KLM's long-standing alliance with Northwest Airlines appeared to have weathered the worst of a storm last winter when the US carrier erected defences against a possible takeover by its partner. This deprived KLM of voting power for its full 23 per cent staka in NWA, but the Dutch side – since faced with transatlantic link-ups such as that between British Airways and American Airlines – is anxious to nurture the relationship.

A takeover of Fokker by Samsung was eagerly awaited, but with qualms about what guarantees the state would get – on issues such as jobs and technology – in return for the Fl1bn injection the Korean conglomerate was said to be asking.

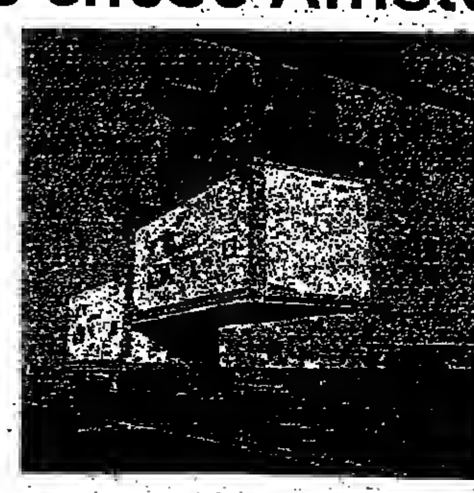
As outlined in leaks of the confidential business plan Samsung presented to the Economics Ministry, for its money the government would get a 15 per cent stake in Fokker. A holding of similar size would be offered to Stork, the local industrial group which paid Fl302.5m for Fokker Aviation, its profitable maintenance and services arm.

Fokker was already under foreign control – its collapse came when Germany's Daimler-Benz declined early this year to fund the then subsidiary any further.

The Dutch government made clear it would not keep Fokker aloft on its own, in the way that its purchase of a 40 per cent stake put Daf Trucks back on the road. The state also owns a third of NedCar, Daf's former car plant which now produces Volvos and Mitsubishis.

The Swedish and Japanese partners are thought to be haggling with the government over terms on which they might buy it out. With the rationalisation of the transport sector thus incomplete, tha deals are likely to keep on coming.

Ceres chose Amsterdam



for its container transit terminal, because of the modern facilities, the deep-sea location, and the excellent road, rail and waterway connections.

Port of Amsterdam. More than just a port

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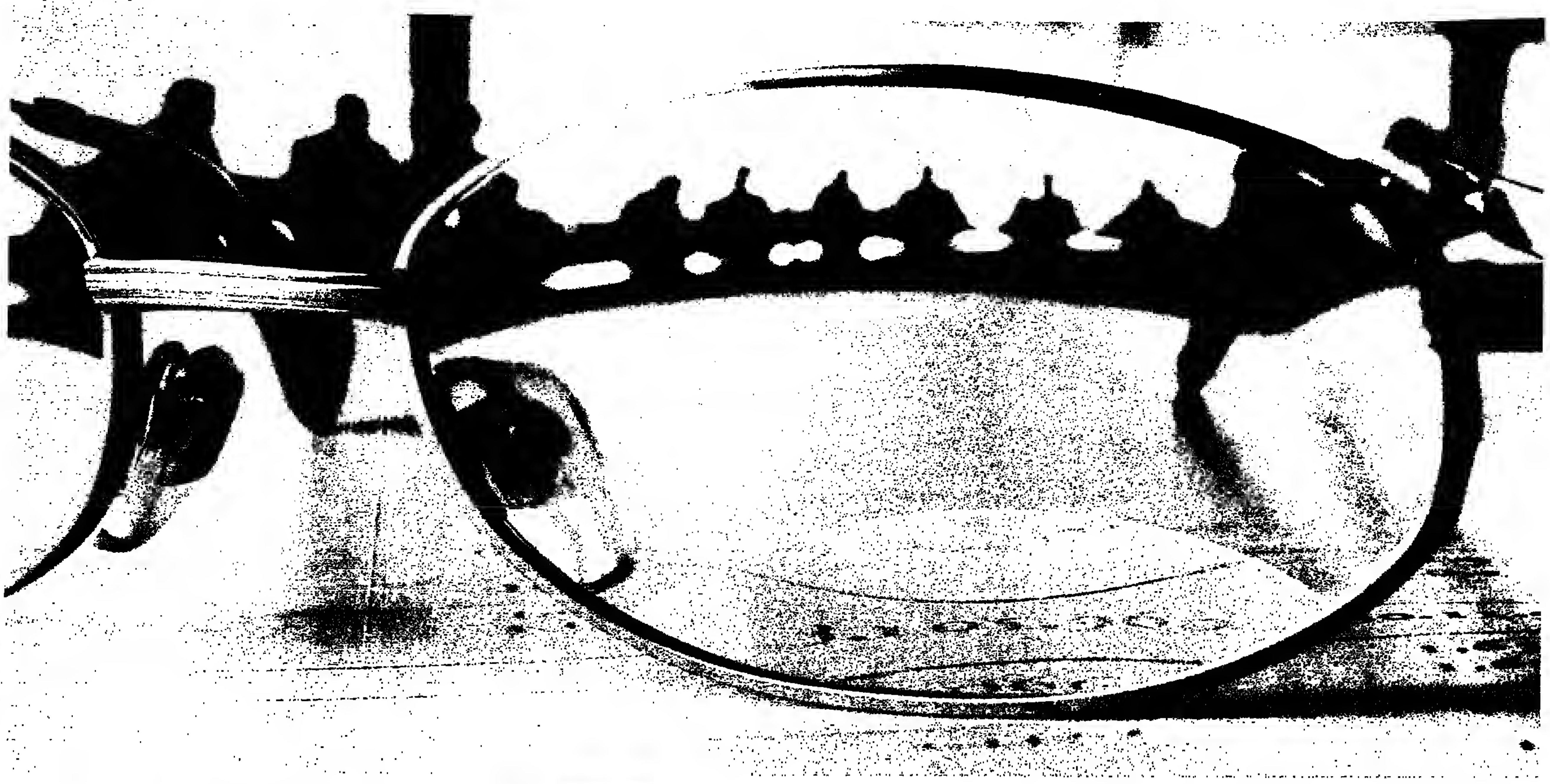

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A question of perception: Convivial bars and cafes... or pricey restaurants? Picture: Lydia van der Meer

Two lists from Amsterdam

"An Amsterdam posting? Absolutely. Splendid place. Been there for the odd long weekend. Odd? Come to mention it, it did turn out a bit that way once or twice... but let's not go into that now. Thinking of expanding our presence there, you say? I agree: good location for our people. Tell you what, you send me there and I'll confirm those impressions. Once I've got myself straight, I'll report back."
Gordon Cramb *attempts to do just that:*

What the visitor sees	What the expatriate finds
Venice of the North	Any premises you might buy are likely to be subsiding
Rembrandt and Van Gogh	Graffiti
Tulips at every corner	Graffiti on your front door
Phones and trains work fine	The PTT cuts you off two days after connecting you; your carriage is under siege from back-packers
Easy to escape into the country by car	Two-year wait for a central Amsterdam parking permit
The bicycle is king	The bicycle is stolen
Many convivial bars and cafes	*Pricey restaurants; stodgy food*
A service economy	A wait-to-be-served economy. And wait. And wait
Hotel room with all mod cons	Apartment bereft of light fittings and curtain rails
Favourable tax breaks	Hungry accountants
Police who speak *English*	*Tax inspectors who speak very clear English*
Everyone speaks English	Except the people from whom you are trying to buy light fittings and curtain rails
Helpful local support staff	No staff at all, unless you're prepared to pay cash in hand, a big fee to a temp agency, or offer a lifelong contract
Sex	Beyond the red light district and the gay bars, the amber light of political correctness flashes just about everywhere
Drugs	The junkie who sleeps on your doorstep expects you to fund his habit because he sweeps the step too (when he's capable)
Rock 'n roll	*'Blowing in the wind'* is warbled from every pavement as tin mug solicits contributions. But Oasis has given *the hippie strummer his first repertoire extension in 25* years: they all now do 'Wonderwall'. Amsterdam is *rejuvenated. Rejoice.*

Drugs: available on the doorstep Picture: Tony Andrews

PROFILE **NCM Holding**

Early signs of recovery

By the very nature of its business, NCM Holding, the Dutch credit insurer, has broad horizons. Founded in 1925, it was one of the first national champions in the sector to spot and capitalise on an emerging trend towards liberalisation, buying the short-term business of Britain's Export Credits Guarantee Department when it was privatised in 1991.

But the increasing pace of competition, the rapid evolution of information technology, a need to consolidate after a rapid international expansion and change at the top have combined to put the company into an introspective mood this year.

A "re-engineering" exercise undertaken with the assistance of McKinsey & Co, management consultants, led earlier this month to NCM's announcement that it would lose 225 jobs: more than 15 per cent of the total. The redundancies are only part of the changes on the short-term side of NCM, which is being re-organised into business units.

The company had already changed its medium-term business from being based on the industrial sectors of its customers, such as capital goods, aircraft and shipbuilding, to the geographic location of their buyers. It also created a special unit for project financing, backed up one or two experts in each sector, according to Mr Anne van't Veer, managing director of the medium-term business.

NCM has signalled, however, that such internal reviews will not obstruct its expansion if the right opportunity arises. This month NCM also announced the purchase of the remaining 75 per cent of EKR Kreditforsikring, the dominant Danish credit insurer. It had bought a 25 per cent stake in April 1995.

EKR not only covers 25 per cent of Danish exports, and accounts for 90 per cent of the country's credit insurance, but it also brings synergies in underwriting, in sectors such as fish and meat products.

The change at NCM is *manifested* nowhere more than in its plans for information technology. "Information is essential in every regard to NCM's strategy," says Mr Gerard van der Stelt, one of two managing directors of short-term credit business in the Netherlands. "It is essential that our databases *be integrated* and be accessible to any NCM underwriter wherever he or she may be. That is a huge undertaking and it's about to go live at the end of the year."

For the first time, underwriting specifications will be done to a standard format. The database at NCM's Dutch headquarters, more attuned to domestic business, and that at NCM (UK), more export-oriented, both have 1m buyers. Until the integration, however, someone in Amsterdam had to call Cardiff to find out what was on the British database.

The project was undertaken by Oracle, the software company, but Mr van der Stelt points out: "A lot of functions that have been included in this database are home-grown, built and designed by ourselves".

The system is designed not only for internal communications but as a sales tool for policyholders who want more information, more quickly, about their potential customers. NCM is still feeling its way about how much access to give them, without breaching the confidentiality of the information. "We're always testing the boundaries and our customers are always asking for more," admits Mr van der Stelt.

While he maintains: "We're not primarily in the information business; it's part of the product we deliver" – the NCM Profound service is offered as an extra to customers, at a price – he acknowledges: "We're entertaining the idea of *selling* it to non-customers as well", to get a foot in the door.

Innovation is not limited to *IT*: NCM has developed reinsurance facilities to offer political risk coverage without a link to the government of the selling country. This gives it a better ability to offer "one-stop" shopping to multinationals, but whether they actually want it depends in part on how centralised each company's corporate culture is.

Change was also in progress at NCM because it had new leadership. In 1994, its chairman, Mr Harry Groen, then aged 50, announced his plan to *retire*. He had worked for NCM for 30 years and *dominated* its culture. He was succeeded in June 1995 by *Mr Maarten Hulshoff*, a man only three years his junior, who had spent much of his career with Citibank.

Market conditions, both higher claim rates and competitive pressures on premiums, had created a financial squeeze. In 1995, it wrote off Fl 44.8m in extraordinary costs compared with an operating profit of only Fl 33m. This pulled NCM into its first loss since 1983, and it passed its dividend. International expansion led to *start-up losses* at a number of branches in 1995. The company told shareholders last year it did not expect to reach break-even until 1997.

By earlier this month, however, signs of recovery were in sight. NCM reported an interim after-tax profit of Fl 13.8m compared with a loss of Fl 5.9m in the first half of 1995.

But claim rates in Germany, up to 75 per cent in the first six months of this year against 62 per cent in all of 1996, continued to exert pressure. In such *cases, NCM says, it has two* main options: to increase premiums or tighten underwriting. In general, it has taken the latter course, setting limits on insured risk and encouraging customers to strengthen the language in their contracts.

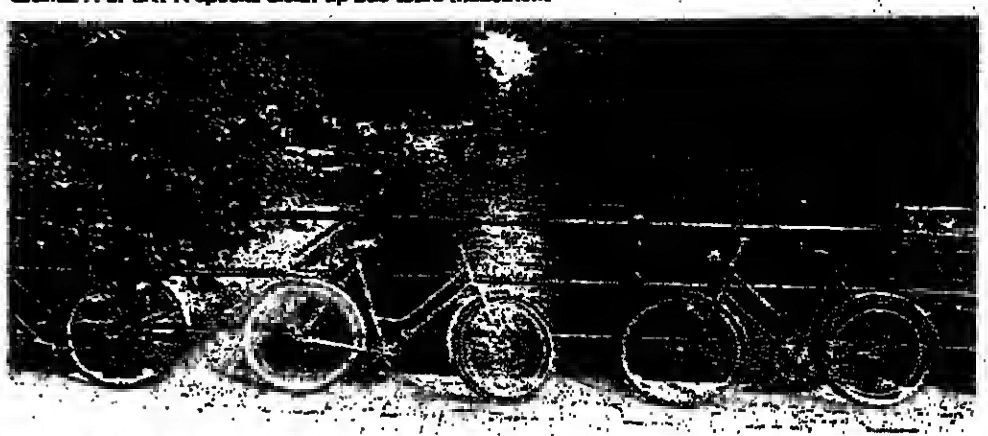
NCM's annual report last year pulled no punches when it said 1996 "will make great demands on the commitment and adaptability of our staff." The company now hopes the uncertainty is behind it and it can look forward.

"Competition is a good thing", says Mr Marcel Wendrich, NCM's corporate communications director. "It makes you sharper and it's good for the customers. The situation is changing rapidly. *Clients will benefit* from it. Shareholders will benefit from it. We're confident the company will benefit from it."

Clay Harris

Tulips at every corner Picture: UPP

Graffiti... or art? A special clean-up bus tours Maastricht Picture: Lydia van der Meer



The bicycle may be king... but it is frequently stolen Picture: Lydia van der Meer

PROFILE **AT&T-Unisource**

Complexity starts at home

"Management of complexity" will be one of AT&T-Unisource's main selling points to customers in the increasingly competitive European telecommunications market, according to Mr James Cosgrove, its chief executive officer.

But that task starts at home, for AT&T-Unisource is without peer in the complexity of the cross-national alliance it is trying to create.

Its headquarters at Hoofddorp, within sight of the southern edge of Amsterdam's Schiphol airport, sits on a new estate where streets are named after planets and stars. The challenge for Mr Cosgrove, a 22-year veteran of AT&T, and his colleagues will be to keep a galaxy of bodies in their proper orbits.

Unisource itself is equally owned by four European telecoms groups: KPN's PTT Telecom in the Netherlands, Telia of Sweden, Swiss Telecom PTT and Spain's Telefónica. The participation of *the Spanish* company is subject to final approval by the European Commission, depending on the Madrid government's liberalisation plans for the Spanish telecoms market.

In turn, Unisource owns 60 per cent and AT&T 40 per cent of a joint venture, AT&T-Unisource Communications Services (known as Uniworld in a transitional stage), which offers integrated voice, data and messaging services to multinational companies *operating in Europe*. Unisource and its US partner each owns a 50 per cent share in *AT&T-Unisource* Participations, which holds investments in other companies. Other Unisource businesses, such as Card Services, remain outside the scope of the joint ventures with AT&T.

To add to the complexity, each of the European home countries has a Unisource Business Network which integrates all the data services for customers in its market.

At the next level down, the respective domestic PTTs, such as PTT Telecom in the Netherlands, acts as distributor, as well as selling, managing and servicing local area networks.

James Cosgrove: an entrepreneurial investment opportunity

Factor in the existence of five ultimate corporate parents, each with domestic *pressure to justify their* investments, and one might see the potential for a telecoms Tower of Babel.

For the partners, there appears to be no alternative in a telecoms market studded with transatlantic alliances such as Concert (British Telecommunications and *MCI*) and *Global One* (Deutsche Telekom, France *Télécom and Sprint*).

"It's offence and defence," admits Mr Roger Martin, vice-president for corporate communications. For Unisource's European owners, the venture brings access they are unlikely to win on *their own*. *But it also* helps them to defend their patch in increasingly liberalised home markets, by being able to offer multinational companies a full range of services.

AT&T brings a new *dimension*: the experience of operating for more than a decade in a *fiercely* competitive market, access to huge research and development resources, and its global WorldPartners links. Yet its alliance with Unisource tones down its American accent just enough to allay any European concerns about an aggressive US giant.

It brings the best of both *worlds, Mr Cosgrove argues*. "You have to be European to play in Europe and yet you have to offer global solutions." He welcomes the "aggressive smallness" – in relative terms – of the Unisource partners.

From the Hoofddorp centre of AT&T-Unisource's spinning solar system, Mr Cosgrove sees the company as an entrepreneurial investment.

It has elements both of a division within a confederation and of a start-up company, but more of the latter. It is like a start-up in that it requires business plans, "milestones" and regular reports to investors, yet it has the ability to pull resources and expertise from shareholders. The five shareholders have diverse interests, Mr Cosgrove concedes, but he can cherry-pick personnel out of individual companies.

This is helping to create a corporate identity in a company which has no nationality. "Half of alliances don't work because of cultural issues," Mr Martin says. "Working practices of two years have ironed that out remarkably well. We have learned that you have to see this thing as a common operation. Otherwise too many bad compromises can be made."

Mr Henk Koning, now managing director of Unisource Business Networks Nederland, was one of the first participants in the PTT Telecom international project in 1991 which led in stages to Unisource. He has seen a similar evolution as each new partner joined. "Equal positions are one of the strengths; we each have peers in the organisation," he says.

In spite of this emerging culture, Hoofddorp is without doubt the hub, which may require some finesse to avoid the company being identified as too "Dutch".

The only divisional headquarters to be located elsewhere is that for multimedia, previously part of AT&T, which will remain in Geneva.

Mr Cosgrove, however, is openly enthusiastic about the Netherlands as a home base.

"We're fortunate to be in Holland. It is an extremely favourable society for absorbing the non-Dutch. There is a high degree of acceptance, not just toleration, of multinational diversity."

Although he inherited Hoofddorp, he says he would choose it again even if starting from scratch. Its proximity to Schiphol – on the side away from Amsterdam and traffic – is a huge advantage.

Relationships among the Unisource partners and between them and AT&T are likely to remain a matter of sensitivity. The question of how – or whether – to punctuate the company's name was debated until the conclusion was reached that a hyphen carried exactly the right nuance.

Clay Harris

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CURRENCIES AND MONEY

Battered yen hits three-and-a-half year low

MARKETS REPORT

By Simon Kuper

The yen resumed last week's slide, closing at a 42-month low against the dollar and just off its 44-month worst against the D-Mark in London yesterday. After crashing through the supposedly tough "Bentsen ceiling" of Y113.6 it ended the day at Y114.3 against the US currency, and Y75.15 to the D-Mark.

Most currency strategists say the yen is being driven lower by Japanese investors seeking higher yields abroad. Japan is expected to stimulate its weak economy through lax monetary policy rather than by fiscal means, thus keeping the yen weak.

The Swiss franc, another low yielding currency, closed near a 14-month low of SFr0.829 to the D-Mark. Traders think the Swiss National Bank would welcome a further fall, as the Swiss franc's strength is hurting exports.

Sterling rose sharply for most of the day, touching DM2.459, but after late profit taking it closed in London at DM2.451, having added 0.7 pfennigs to its Friday gains of 2.1 pfennigs. Against the dollar the pound closed four fifths of a cent higher at $1.612.

The dollar dropped two fifths of a pfennig against the D-Mark to DM1.520. The Canadian dollar closed unchanged despite a 25 basis point rate cut.

■ The yen suffered from news that there will be no Japanese supplementary budget to stimulate the economy until January. But most of yesterday's yen fall continued last week's trend. The general election of October 20 has strengthened the Liberal Democratic Party, which is wary of fiscal stimulus, while the Bank of Japan said last week that it expected to keep interest rates low.

Japanese investors, emboldened by the yen's fall, have continued to buy foreign currencies, particularly sterling, which rose Y2.3 to Y184.2 in London yesterday.

Some analysts think that after the US election Washington may call for a weaker dollar against the yen over concern about the US trade deficit. But with purchasing power parity suggesting that the dollar would be fairly valued at Y130, most analysts believe that for now Washington is relaxed about the dollar's rise.

■ The dollar's gains since September are largely due to foreign central bank buying of the currency, according to research published yesterday by Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London. He says that with the US current account deficit growing, central banks must continue buying dollars just to keep the currency static.

Foreign official holdings of US Treasuries rose by about $21bn in September, according to the Federal Reserve. By comparison, the $44.6bn growth in the entire first quarter of this year was itself a record, while growth in the second quarter was just $4.2bn.

Mr Meggyesi says this autumn's growth has nothing to do with last summer's G7 decision to support the dollar. Rather, a range of central banks seems to have been buying dollars, not in order to prop up the US currency but so as to weaken their own. No reserve figures for individual central banks are yet available for September, but Mr Meggyesi fingers Australia, China, Sweden, Brazil and Indonesia as likely dollar buyers.

"Without the central banks the market clearing level for the dollar would be lower and/or US interest rates higher," says Mr Meggyesi. But because several banks seem to be buying dollars, the chance of a sudden collapse in the currency is reduced, he says.

■ Despite yesterday's Bank of Canada rate cut, the Canadian dollar closed unchanged in London at C$1.344 to the US dollar. The 25 point cut took the rate to 3.50 per cent, the lowest level since 1963.

Mr Paul Lambert, senior currency economist at UBS Bank in London, said: "The market has been pricing in rate cuts on the back of the improving fiscal picture in Canada."

Mr Gerard Lyons, chief economist at DKB International in London, added: "Interest rate cuts are not necessarily currency negative at present, because lower rates can be positive for the assets of the country in question."

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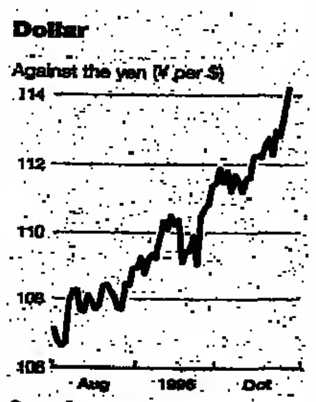
Dollar



Source: Datastream

■ **Pound in New York**

Oct 28	—Latest—	— Prev. close —
£ spot	1.6125	1.6050
1 mth	1.6118	1.6043
3 mth	1.6105	1.6030
1 yr	1.6035	1.5964

■ **OTHER CURRENCIES**

Oct 28	£	$
Czech Rp	43.2634 - 43.3386	26.8450 - 26.8750
Hungary	250.572 - 250.808	155.480 - 155.530
Iran	4837.80 - 4834.80	3000.00 - 3000.00
Kuwait	0.4828 - 0.4833	0.2996 - 0.2997
Poland	4.5318 - 4.5362	2.8120 - 2.8130
Russia	8786.44 - 8795.12	5452.00 - 5454.00
U.A.E.	5.9192 - 5.9232	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Oct 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2426	+0.051	328 - 524	17.3032	17.1804	17.1991	3.0	17.1426	2.3	-	-	104.6
Belgium	(BFr)	50.4587	+0.1372	108 - 066	50.6460	50.2330	50.3387	2.9	50.1137	2.7	49.0937	2.7	106.0
Denmark	(DKr)	9.4020	+0.0276	874 - 065	8.4274	8.3654	9.3847	2.2	8.3531	2.1	9.2148	2.0	107.3
Finland	(FM)	7.3392	+0.0236	308 - 475	7.3670	7.3070	-	-	-	-	-	-	84.9
France	(FFr)	8.2757	+0.0256	715 - 799	8.3064	8.2431	8.2591	2.4	8.2283	2.3	8.0806	2.2	108.9
Germany	(DM)	2.4508	+0.0072	495 - 521	2.4618	2.4417	2.4453	2.7	2.4341	2.7	2.3841	2.7	108.0
Greece	(Dr)	384.228	+1.06	026 - 428	385.700	382.865	-	-	-	-	-	-	67.6
Ireland	(I£)	0.9918	-0.0006	908 - 927	0.9953	0.9905	0.9918	0.2	0.9913	0.2	0.9885	0.3	100.4
Italy	(L)	2453.05	+10.47	108 - 502	2459.52	2438.98	2458.1	-2.5	2466.65	-2.2	2488.05	-1.4	77.2
Luxembourg	(LFr)	50.4587	+0.1372	108 - 066	50.6460	50.2330	50.3387	2.9	50.1137	2.7	49.0937	2.7	106.0
Netherlands	(Fl)	2.7482	+0.0082	475 - 508	2.7582	2.7391	2.7422	3.1	2.7289	3.0	2.6704	2.9	106.1
Norway	(NKr)	10.3506	+0.0063	460 - 556	10.3926	10.3367	10.3408	1.2	10.3293	0.8	10.2773	0.7	99.2
Portugal	(Es)	247.383	+1.043	236 - 550	248.133	246.881	247.638	-1.2	248.018	-1.0	-	-	96.0
Spain	(Pta)	206.357	+0.678	269 - 445	206.974	205.514	206.557	-1.2	206.892	-1.0	207.607	-0.6	80.1
Sweden	(SKr)	10.6066	+0.0307	972 - 159	10.6297	10.5780	10.6058	0.1	10.6039	0.1	10.5953	0.1	90.5
Switzerland	(SFr)	2.0317	+0.007	303 - 330	2.0403	2.0249	2.0242	4.4	2.0104	4.2	1.9493	4.1	109.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	89.6
Ecu	-	1.2781	+0.0043	773 - 789	1.2823	1.2722	1.2763	1.7	1.2726	1.7	1.255	1.8	-
SDR†	-	1.108210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6123	+0.009	114 - 131	1.6145	1.6030	-	-	-	-	-	-	-
Brazil	(R$)	1.6575	+0.01	566 - 584	1.6585	1.6461	-	-	-	-	-	-	-
Canada	(C$)	2.1671	+0.0115	660 - 681	2.1727	2.1575	2.1635	2.0	2.1563	2.0	2.1301	1.7	85.9
Mexico (New Peso)		12.7066	-0.0296	946 - 186	12.7446	12.6735	-	-	-	-	-	-	-
USA	($)	1.6121	+0.008	118 - 126	1.6145	1.6030	1.6114	0.5	1.6103	0.5	1.6033	0.5	97.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0398	+0.0143	385 - 410	2.0410	2.0224	2.0415	-1.0	2.0438	-0.8	2.0497	-0.5	94.1
Hong Kong	(HK$)	12.4648	+0.0623	601 - 694	12.4833	12.3957	12.4607	0.4	12.4578	0.2	12.4688	0.0	-
India	(Rs)	57.4715	+0.3673	115 - 311	57.7350	57.2110	-	-	-	-	-	-	-
Israel	(Shk)	5.2352	-0.0259	303 - 401	5.2712	5.2096	-	-	-	-	-	-	-
Japan	(Y)	184.174	+2.299	061 - 288	184.460	181.790	183.324	5.5	181.714	5.3	174.929	5.0	127.3
Malaysia	(M$)	4.0504	+0.0302	483 - 525	4.0561	4.0181	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2856	+0.0053	840 - 871	2.2874	2.2751	2.2934	-4.1	2.3073	-3.8	2.3458	-2.6	112.0
Philippines	(Peso)	42.3660	+0.2195	884 - 436	42.4510	42.1910	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0462	+0.0303	440 - 484	6.0550	6.0124	-	-	-	-	-	-	-
Singapore	(S$)	2.2846	+0.0124	833 - 859	2.2869	2.2716	-	-	-	-	-	-	-
South Africa	(R)	7.5205	+0.1057	141 - 268	7.5276	7.3978	-	-	-	-	-	-	-
South Korea	(Won)	1341.27	+13.12	069 - 184	1343.10	1329.69	-	-	-	-	-	-	-
Taiwan	(T$)	44.4537	+0.23	996 - 078	44.5150	44.2428	-	-	-	-	-	-	-
Thailand	(Bt)	41.1457	+0.2312	248 - 665	41.2120	40.8930	-	-	-	-	-	-	-

† Rates for Oct 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6958	-0.0218	930 - 985	10.7290	10.6880	10.6761	2.2	10.6358	2.2	10.4408	2.4	104.7
Belgium	(BFr)	31.3000	-0.0715	800 - 200	31.4160	31.2800	31.235	2.5	31.1025	2.5	30.4825	2.6	105.9
Denmark	(DKr)	5.8321	-0.0121	311 - 331	5.8503	5.8300	5.8232	1.8	5.8048	1.9	5.7231	1.9	106.7
Finland	(FM)	4.5526	-0.0081	486 - 569	4.5760	4.5487	4.5438	2.3	4.5251	2.4	4.4426	2.4	84.4
France	(FFr)	5.1335	-0.0098	325 - 345	5.1510	5.1315	5.1247	2.0	5.1067	2.1	5.0245	2.1	108.6
Germany	(DM)	1.5203	-0.0031	199 - 208	1.5258	1.5190	1.5173	2.4	1.5107	2.5	1.4805	2.6	107.4
Greece	(Dr)	238.340	-0.535	290 - 390	239.180	238.100	239.895	-7.8	242.465	-6.9	253.48	-6.4	67.4
Ireland	(I£)	1.6255	+0.0091	245 - 265	1.6272	1.6165	1.6252	0.2	1.6248	0.1	1.6217	0.2	-
Italy	(L)	1521.65	-1.11	090 - 240	1525.25	1519.30	1525.45	-3.0	1531.4	-2.6	1546.9	-1.7	76.9
Luxembourg	(LFr)	31.3000	-0.0715	800 - 200	31.4160	31.2800	31.235	2.5	31.1025	2.5	30.4825	2.8	105.8
Netherlands	(Fl)	1.7053	-0.0035	048 - 058	1.7112	1.7039	1.7015	2.7	1.6935	2.8	1.658	2.8	105.7
Norway	(NKr)	6.4207	-0.0283	197 - 217	6.4624	6.4172	6.4169	0.7	6.4113	0.6	6.3857	0.5	98.4
Portugal	(Es)	153.460	-0.12	410 - 510	153.800	150.980	153.665	-1.6	153.96	-1.3	154.735	-0.8	96.2
Spain	(Pta)	128.005	-0.22	990 - 020	128.380	127.930	128.185	-1.7	128.445	-1.4	129.11	-0.9	79.9
Sweden	(SKr)	6.5794	-0.0139	756 - 831	6.5981	6.5753	6.5766	0.5	6.5687	0.6	6.5194	0.9	90.1
Switzerland	(SFr)	1.2603	-0.002	598 - 607	1.2654	1.2595	1.2559	4.1	1.2475	4.0	1.2098	4.0	108.2
UK	(£)	1.6121	+0.008	118 - 126	1.6145	1.6030	1.6114	0.5	1.6103	0.5	1.6033	0.5	88.8
Ecu	-	1.2614	+0.0021	610 - 617	1.2625	1.2577	1.2628	-1.3	1.2659	-1.4	1.2825	-1.7	-
SDR†	-	0.694454	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0001	+0.0006	999 - 003	1.0003	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0282	+0.0011	279 - 284	1.0289	1.0269	-	-	-	-	-	-	-
Canada	(C$)	1.3443	+0.0004	440 - 445	1.3470	1.3438	1.3425	1.7	1.3384	1.8	1.3238	1.5	85.2
Mexico (New Peso)		7.8820	-0.058	770 - 870	7.8670	7.8730	8	-18.0	8.2665	-18.5	9.127	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2653	+0.0026	848 - 657	1.2657	1.2616	1.2668	-1.4	1.2687	-1.1	1.2742	-0.7	95.6
Hong Kong	(HK$)	7.7320	-	315 - 325	7.7330	7.7310	7.7318	0.0	7.7325	0.0	7.7435	-0.1	-
India	(Rs)	35.6500	+0.05	000 - 000	35.6500	35.4920	35.865	-7.2	36.325	-7.8	-	-	-
Israel	(Shk)	3.2475	-0.0324	454 - 495	3.2780	3.2393	-	-	-	-	-	-	-
Japan	(Y)	114.245	+0.86	210 - 280	114.400	113.380	113.74	5.3	112.745	5.3	108.53	5.0	128.9
Malaysia	(M$)	2.5125	+0.0062	120 - 130	2.5134	2.5065	2.5154	-1.4	2.5208	-1.3	2.542	-1.2	-
New Zealand	(NZ$)	1.4177	-0.0039	172 - 182	1.4183	1.4155	1.4232	-4.7	1.4275	-2.8	1.459	-2.9	-
Philippines	(Peso)	26.2800	+0.005	400 - 200	26.3200	26.2400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4172	+0.0007	168 - 176	1.4175	1.4163	1.415	1.8	1.4104	1.8	1.3882	2.0	-
South Africa	(R)	4.6650	+0.0425	625 - 675	4.6700	4.6180	4.7057	-10.5	4.7807	-9.9	5.0955	-9.2	-
South Korea	(Won)	832.000	+4	900 - 100	834.400	829.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5750	+0.005	500 - 000	27.6000	27.5410	27.5751	0.0	27.5753	0.0	-	-	-
Thailand	(Bt)	25.5230	+0.018	180 - 280	25.5300	25.5030	25.613	-4.2	25.7805	-4.0	26.418	-3.5	-

† SDR rate per $ for Oct 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 25: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

Oct 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.00	7.50	8.38
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.38
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.10	5.10	5.18	5.34	-	-	-
week ago	-	5.10	5.10	5.18	5.37	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.46	-	96.47	96.44	10,750	53,279
Mar	96.41	96.41	-0.01	96.42	96.40	5,243	50,971
Jun	96.35	96.33	-0.03	96.36	96.32	3,970	29,299

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.83	96.81	-0.03	96.83	96.81	20318	217945
Mar	96.78	96.79	-0.04	96.82	96.79	17360	198326
Jun	96.66	96.64	-0.05	96.68	96.62	23115	189265
Sep	96.45	96.43	-0.08	96.48	96.41	21810	154606

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.82	92.80	-0.05	92.86	92.58	14483	68439
Mar	93.20	93.14	-0.10	93.26	93.13	14701	48918
Jun	93.48	93.41	-0.09	93.52	93.40	5114	31122
Sep	93.53	93.47	-0.08	93.56	93.47	3294	23015

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.06	98.07	-	98.08	98.02	4574	30068
Mar	98.07	98.08	-0.01	98.07	98.00	4365	26823
Jun	97.86	97.88	-0.03	97.87	97.82	1397	14536
Sep	97.68	97.67	-0.05	97.68	97.63	665	5268

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.44	99.44	-	99.44	99.44	51	n/c
Mar	99.38	99.38	-	99.38	99.38	458	n/c
Jun	99.26	99.28	-0.02	99.26	99.26	73	n/c

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.87	95.86	-	95.89	95.87	390	7377
Mar	95.89	95.89	-0.02	95.90	95.88	347	5098
Jun	95.83	95.84	-0.01	95.85	95.82	546	3016
Sep	95.75	95.74	-0.03	95.76	95.73	447	2862

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.63	16.40	4.857	1.966	4861	5.448	20.51	490.3	409.0	21.03	4.027	1.982	4.294	3.195	365.0	2.533
Denmark	(DKr)	53.67	10	8.802	2.607	1.055	2609	2.924	11.01	263.1	219.5	11.28	2.161	1.064	2.305	1.715	195.9	1.359
France	(FFr)	60.97	11.36	10	2.962	1.199	2964	3.322	12.51	298.9	249.4	12.82	2.455	1.208	2.618	1.948	222.8	1.544
Germany	(DM)	20.59	3.836	3.377	1	0.405	1001	1.122	4.223	100.9	84.21	4.329	0.829	0.408	0.884	0.658	75.15	0.521
Ireland	(I£)	50.87	9.478	8.343	2.471	1	2473	2.771	10.43	249.4	208.1	10.70	2.048	1.008	2.184	1.625	185.7	1.288
Italy	(L)	2.057	0.383	0.337	0.100	0.040	100.	0.112	0.422	10.09	8.414	0.433	0.083	0.041	0.088	0.066	7.509	0.052
Netherlands	(Fl)	18.36	3.420	3.011	0.892	0.361	892.3	1	3.765	90.00	75.08	3.860	0.739	0.364	0.788	0.586	67.01	0.465
Norway	(NKr)	48.75	9.084	7.996	2.368	0.958	2370	2.656	10	239.0	199.4	10.25	1.963	0.966	2.094	1.557	178.0	1.235
Portugal	(Es)	20.40	3.800	3.345	0.991	0.401	991.5	1.111	4.184	100.	83.43	4.289	0.821	0.404	0.876	0.652	74.45	0.517
Spain	(Pta)	24.45	4.555	4.010	1.188	0.481	1188	1.332	5.015	119.9	100.	5.141	0.984	0.484	1.050	0.781	89.24	0.618
Sweden	(SKr)	47.56	8.861	7.800	2.310	0.935	2312	2.591	8.755	233.2	194.5	10	1.915	0.943	2.042	1.518	173.6	1.205
Switzerland	(SFr)	24.83	4.627	4.073	1.206	0.488	1207	1.353	5.094	121.8	101.8	5.221	1	0.492	1.066	0.793	90.65	0.629
UK	(£)	50.46	9.402	8.276	2.451	0.992	2453	2.749	10.35	247.4	206.4	10.61	2.032	1	2.167	1.612	184.2	1.278
Canada	(C$)	23.29	4.339	3.818	1.131	0.458	1132	1.269	4.776	114.2	95.25	4.896	0.938	0.461	1	0.744	85.00	0.590
US	($)	31.30	5.833	5.134	1.520	0.615	1522	1.705	6.421	153.5	128.0	6.582	1.261	0.620	1.344	1	114.3	0.793
Japan	(Y)	27.39	5.104	4.493	1.331	0.539	1332	1.492	5.619	134.3	112.1	5.760	1.103	0.543	1.178	0.875	100.	0.694
Ecu		39.48	7.357	6.476	1.918	0.776	1919	2.151	8.099	193.6	161.5	8.302	1.590	0.782	1.696	1.261	144.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6588	0.6599	+0.0004	0.6599	0.6575	27,271	59,908
Mar	0.6624	0.6635	-	0.6635	0.6624	152	3,553
Jun	-	0.6676	-	-	-	1	2,444

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7959	0.7970	-	0.7972	0.7940	13,459	44,978
Mar	0.8035	0.8042	-	0.8044	0.8025	634	2,617
Jun	-	0.8115	-	-	-	2	605

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8878	0.8821	-0.0053	0.8880	0.8800	19,078	77,248
Mar	0.8930	0.8935	-0.0054	0.8935	0.8912	101	2,523
Jun	-	0.9105	-	-	-	138	300

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6023	1.6114	+0.0068	1.6182	1.6022	11,609	57,940
Mar	1.6106	1.6100	+0.0070	1.6118	1.6090	38	313
Jun	-	1.6060	+0.0068	1.6090	-	200	102

UK INTEREST RATES

LONDON MONEY RATES

Oct 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	8 - 5½	5⅞ - 5⅔	5⅞ - 5¾	6⅛ - 5⅔	6⅛ - 6⅛	6½ - 6⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	6 - 5⅔	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	[illegible]	[illegible]	[illegible]	6¼ - 6⅛
Discount Market deps	5⅞ - 5½	5¾ - 5⅔	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Oct 25, 5.6282pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.08pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.549pc. Finance House Base Rate 6pc from Oct 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.92	93.92	-0.01	93.82	93.90	7908	95005
Mar	93.75	93.74	-0.03	93.76	93.73	9591	91974
Jun	93.46	93.42	-0.05	93.48	93.40	6860	89721
Sep	93.17	93.15	-0.04	93.17	93.13	3489	54639
Dec	92.98	92.92	-0.06	92.98	92.91	1894	44974

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9375	0.21	0.18	0.16	0.04	0.19	0.49
9400	0.04	0.07	0.08	0.12	0.33	0.68
9425	0.01	0.02	0.04	0.34	0.53	0.87

Est. vol. total, Calls 2614 Puts 2368. Previous day's open int., Calls 134677 Puts 150730

EMS EUROPEAN CURRENCY UNIT RATES

Oct 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.778704	-0.00498	-1.71	3.31	11
Portugal	195.792	194.431	+0.431	-0.70	2.26	5
Finland	5.80661	5.76842	+0.00456	-0.66	2.22	4
Spain	162.493	162.174	+0.183	-0.20	1.75	1
Netherlands	2.15214	2.16012	+0.00213	0.37	1.17	-3
Belgium	39.3960	39.6674	+0.0374	0.89	0.85	-5
Germany	1.91007	1.92597	+0.00174	0.83	0.71	-8
Austria	13.4383	13.5507	+0.0123	0.94	0.71	-8
Denmark	7.28580	7.38700	+0.00691	1.39	0.18	-10
France	8.40608	6.50529	+0.00811	1.55	0.00	-13
NON ERM MEMBERS						
Greece	292.867	302.020	+0.127	3.13	-1.53	-
Italy	2106.15	1925.27	+0.18	-8.59	11.09	-
UK	0.786652	0.784743	-0.005368	-0.24	1.80	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.580	2.55	3.06	-	0.08	0.69	2.08
1.590	1.78	2.44	-	0.30	1.01	-
1.600	1.10	1.85	3.06	0.57	1.42	2.90
1.610	0.89	1.36	-	1.08	1.94	-
1.570	0.27	0.97	2.23	1.75	2.51	3.99

Previous day's vol., Calls 4,159 Puts 5,225. Prev. day's open int., Calls 149,998 Puts 139,982

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.40	94.39	-	94.40	94.39	45,654	468,812
Mar	94.32	94.31	-	94.33	94.31	85,952	384,401
Jun	94.19	94.17	-	94.18	94.17	53,935	279,212

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.95	94.94	-0.01	94.95	94.94	198	3,962
Mar	-	94.84	+0.02	94.84	-	86	1,884
Jun	94.69	94.69	-	94.69	94.69	2	1,368

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.03	0.09	0.11	0.15	0.02	0.03	0.07	0.11
9700	0	0.01	0.02	0.05	0.19	0.20	0.23	0.26
9725	0	0	0	0.01	0.44	0.44	0.46	0.47

Est. vol. total, Calls 1933 Puts 4567. Previous day's open int., Calls 440951 Puts 308418

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.06	0.15	0.17	0.24	0.34	0.54
9850	0.02	0.07	0.09	0.45	0.51	0.71

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 4228 Puts 2050

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.18	0.72	1.02	0.08	0.08	0.11
9275	0.07	0.52	0.82	0.22	0.13	0.16
9300	0.03	0.35	0.64	0.43	0.21	0.23

Est. vol. total, Calls 2578 Puts 2665. Previous day's open int., Calls 114430 Puts 65965

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Irish Bank (GB)	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	5.00		

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Cancellation of increase in coupon payments during 1997, 1998 and 1999 and extension of no call protection until 1999

Bondholders should be aware that Reuters Holdings plc ("Reuters") has adjourned indefinitely shareholders consideration of its proposal for [illegible] bonus issue of special dividend shares and [illegible] consolidation of its shares [illegible] Daily Mail and General Trust plc (the "Issuer") on 20th September, 1996 and advertised on 4th October, 1996 are effectively cancelled as they will not apply unless Reuters original proposals are put to, and approved by its shareholders. The cancelled amendments to the terms of the Bonds had involved additional 3¼% coupons in October 1997, 1998 and 1999, plus the deferral of the Issuer's optional date to 30th October, 1999.

29th October, 1996 — Daily Mail and General Trust plc

Republic of Poland
U.S.$2,970,214,000 Due 2024
Collateralised Discount Bonds
In connection with the 1994 Financing Proposals of the Republic of Poland Notice is hereby given that the Rate of Interest for the Interest Period October 29, 1996 to April 29, 1997 has been fixed at 6.5% and that the interest payable on the relevant Interest Payment Date April 29, 1997 will be US$32.86 in respect of US$1,000 nominal of the Bonds.
October 29, 1996, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

Republic of Poland
U.S.$137,556,000 Due 2009
New Money Bonds
In connection with the 1994 Financing Proposals of the Republic of Poland Notice is hereby given that the Rate of Interest for the Interest Period October 29, 1996 to April 29, 1997 has been fixed at 6.5% and that the interest payable on the relevant Interest Payment Date April 29, 1997 will be US$32.86 in respect of US$1,000 nominal of the Bonds.
October 29, 1996, London
By: Citibank, N.A. (Corporate Agency & Trust), Agent Bank CITIBANK

BRITANNIA BUILDING SOCIETY
Issue of up to £50,000,000 Floating Rate Notes Due 2005
In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month Interest Period from (and including) 25th October 1996 to (but excluding) 27th January 1997 the Notes will carry a rate of interest of 6.67706 per cent per annum. The relevant interest payment date will be 27th January 1997. The coupon amount per £1,000,000 Note will be £17,195.77 payable against surrender of Coupon No: 28.
Hambros Bank Limited
Agent Bank

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COMMODITIES AND AGRICULTURE

Liffe may take on olive oil futures

By Deborah Hargreaves

Olive oil futures and a soft and agricultural commodities index are new products being considered by the London International Financial Futures and Options Exchange for its newly acquired commodities section.

"We are looking at the long-term potential of several projects, but we have to do the research to see what's viable," said Mr Clive Furness, director of commodity products.

Liffe merged with the London Commodity Exchange in September, bringing futures contracts on coffee, sugar, cocoa, wheat and freight futures under its auspices. Although the commodities contracts continue to be traded on a separate floor, 70 companies have bought the special "F" shares which allow them to trade commodities products.

"We have to make our products visible and accessible to financial traders, but a lot of them started off in the commodities markets in the first place," said Mr Furness.

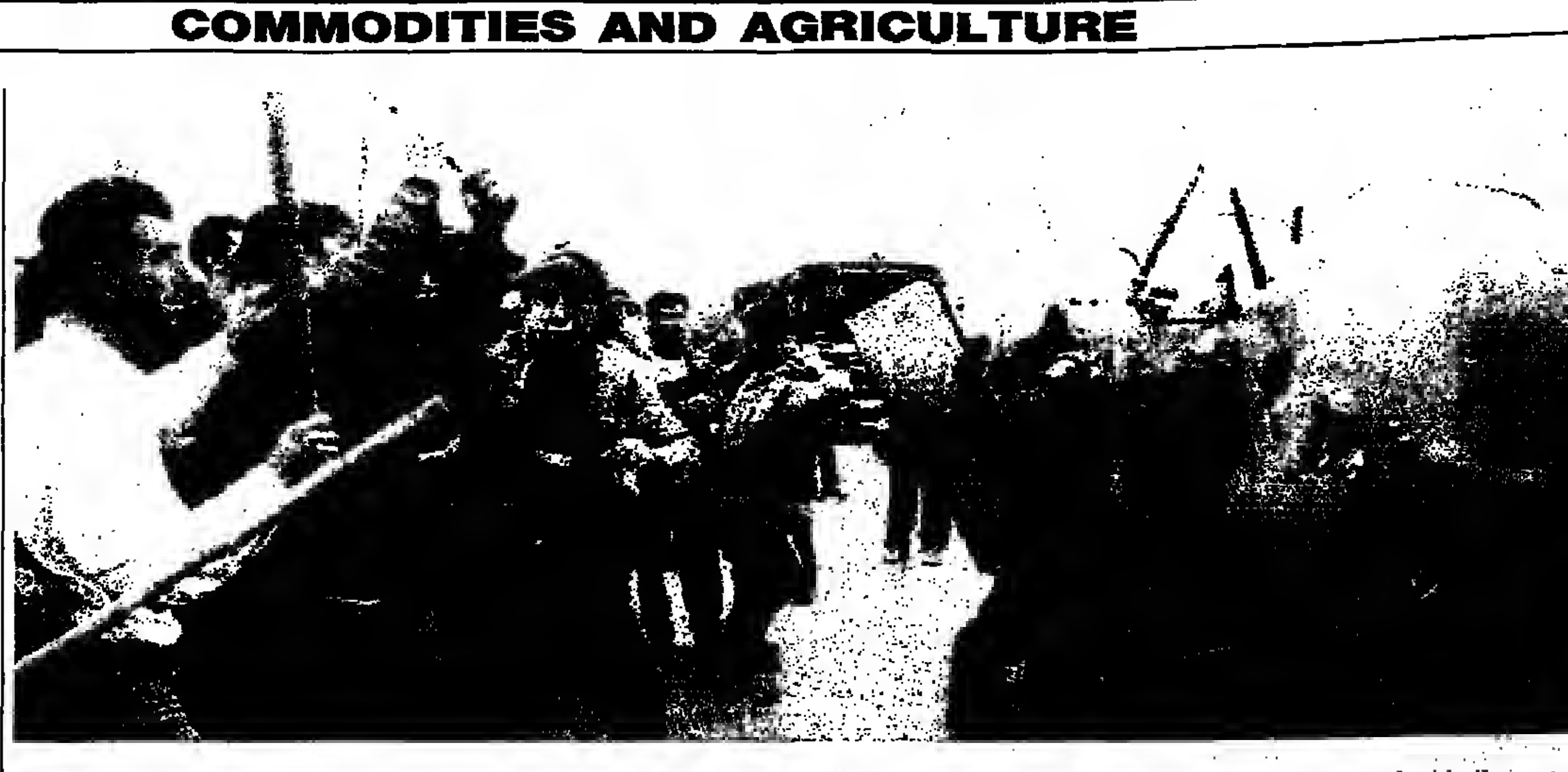
Mr Furness is now working on a business plan for developing commodity products that will be put to the Liffe board on November 19.

Commodities traders are hoping their merger with Liffe will give them wider access to the huge pool of cash controlled by managed futures funds. Mr Furness is working on a plan to market the commodity contracts to these funds, which are very active in the Liffe market.

The extra business that could be attracted to commodities is shown by the ratio of futures business to the amount traded in the physical market. This ratio is seven to one in Liffe's cocoa futures, but 11 to one for a similar product traded on New York's Coffee, Sugar and Cocoa Exchange. The ratio for Liffe coffee futures is four to one.

Mr Furness is also working on an options management system to update its process of pricing up options at the end of the day's trading. Over the longer term, he would like to develop a soft and agricultural commodities index that would be based on a weighted basket of futures contracts.

Mr Furness also believes the futures contract on the Baltic freight index has enormous potential. This contract currently trades 100 to 200 lots a day, but if the ratio of futures to physical business was only one to one, it could trade 7,200 a day.



Pitched battle: residents of Olympiada defend their archaeological heritage against TVX's plan to establish a $200m gold extraction plant in the area EPA

TVX gold project faces further delay

By Kerin Hope

TVX Gold's troubled $200m investment project in northern Greece faces further delay after the discovery of an ancient city on the proposed site of a gold extraction plant.

Residents of Olympiada – a village close to the Canadian company's concession area – claim the plant would prevent the development of a local tourist industry based on the area's rich archaeological heritage.

TVX had been hoping for a respite after local protestors removed their blockades on the road leading to the Olympiada mine. The residents were placated when the government announced an independent inquiry into TVX's concession area.

Excavations have been started already at Olympiada to unearth the city of Stagira, where the philosopher Aristotle was born in 384BC.

The second ancient city on the site of the planned gold extraction plant was discovered after the Greek archaeological service won a court order to survey the area around the Olympiada mine.

The latest find underlines the difficulties investors face in setting up greenfield projects in Greece, which has a profusion of ancient remains and an important tourist industry. The TVX project is one of the largest industrial investments in Greece for more than 20 years.

In December TVX paid $44m for the assets of Cassandra Mines, a bankrupt lead and zinc ore producer, in a deal agreed with the Greek development ministry under the country's privatisation programme.

The company planned to refurbish mines at Olympiada and Stratones, another seaside village, to carry out further prospecting and build a plant to extract gold from a 200,000-tonne stockpile of ore residue with pressure oxidation technology.

TVX, which operates gold mines in Canada, the US, Brazil and Chile, has said that reserves at the Cassandra mines are estimated at 4.4m ounces of gold. The plant would process 300,000oz of gold equivalent yearly, with an estimated recovery rate of more than 90 per cent.

Despite the socialist government's pledge to expedite the project, TVX Hellas was unable to gain access to the Olympiada mine from January until last week because of the road blocks. Earlier this month, the company threatened to shut down operations at Stratones and lay off several hundred workers.

Last week, Ms Anna Diamantopoulou, Greece's development under-secretary, announced the independent study, which she said would decide the location of the plant. Igme, a state mining-research institute, is expected to carry out the study, which should take about three months.

TVX's concession covers about 300 square miles of forest on the Chalcidice peninsula.

Because the area was an important source of timber and minerals in antiquity and is still sparsely populated, it has a high density of ancient settlements, many of them unexplored.

Exchanges urged to help EU farmers

By Alison Maitland

European commodity exchanges need to make strategic alliances and promote new contracts to give farmers in the European Union the risk management tools they need as governments withdraw financial support for agriculture, a London conference heard yesterday.

Mr Lamon Rutten, responsible for risk management policies at the UN Conference on Trade and Development, said the next round of world trade reforms and the eastward enlargement of the EU meant that "within a decade, [farmers] will have to learn how to stand and walk on their own".

New agricultural contracts introduced by European exchanges had not been particularly successful, he told a meeting on risk management in European agriculture organised by ICM, an international conference company.

It would take time for new contracts to be accepted. But there was no reason for European exchanges "to play second fiddle" to the US. "An enlarged Europe is a larger producer of many agricultural commodities than the US," he said.

Exchange management, promotion and strategic alliances would determine Europe's success. He suggested the EU could learn from Mexico, which continued price support for farmers and processors for a transition period after deciding in 1989 to reduce its role in agricultural marketing.

For four years, Mexico paid local processors the difference between a government-set local price for grains and the price of the imported commodities, hedging most risks with the Chicago Board of Trade.

Crude oil rallies on rumours of Amoco gasoline buying

MARKETS REPORT

By Robert Corzine and Philip Coggan

Crude oil prices rallied yesterday on the back of strong buying of gasoline in US gulf coast markets.

The price of the benchmark Brent Blend for December delivery was quoted at about $24.60 a barrel in late London trading, up 38 cents.

Analysts said the latest rally was spurred by rumours that Amoco, the US oil company, had been buying gasoline in gulf coast wholesale markets for the past week because of problems at its large refinery complex in Texas.

Heating oil prices, which have underpinned the crude oil rally over the past month, firmed in north-west Europe as Turkish buyers entered the market.

In the US, traders awaited news from a planned meeting between Ms Hazel O'Leary, the energy secretary, and legislators on her talks with oil industry representatives to avert a heating oil shortage this winter.

On the London Metal Exchange, copper consolidated above the $2,000-a-tonne level that it breached last week. Late liquidation restrained the price, which faltered after reaching a seven-week high of $2,042.

Mr William Adams, research analyst at Rudolf Wolff, said the metal's rally from $1,900 on October 17 had been inspired by stock draw-downs, generally thought to be caused by the Chinese government topping up its stockpile.

Aluminium, like copper, faded yesterday. Last business was at $1,415.50 a tonne, down $19, while nickel rose on the back of chart-based buying, after the metal pushed through $7,250 a tonne on Friday. The price passed $7,300, a level at which some traders had previously sold short – sold metal they did not own in the hope of buying it back at a lower price. The price rose further as they covered their positions, to close at $7,409, up $139.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1394.5-5.5	1423-4
Previous	1408.5-09.5	1436-36.5
High/low	1399	1441/1414.5
AM Official	1398-9	1426.5-7.0
Kerb close		1415.5-6.0
Open int.	227,475	
Total daily turnover	74,007	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1245-50	1270-75
Previous	1258-63	1281-83
High/low		1290/1268
AM Official	1248-50	1275-8
Kerb close		1265-70
Open int.	5,851	
Total daily turnover	1,242	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	739-40	746-7
Previous	730-1	737-8
High/low		748/739
AM Official	733-3.5	740-1
Kerb close		745.5-6.5
Open int.	39,398	
Total daily turnover	11,709	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7305-15	7415-20
Previous	7155-65	7260-70
High/low	7240	7450/7270
AM Official	7235-40	7360-65
Kerb close		7409-10
Open int.	44,310	
Total daily turnover	17,977	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5940-50	6000-5
Previous	5935-45	5990-95
High/low		6020/6000
AM Official	5950-60	6005-15
Kerb close		6000-05
Open int.	15,591	
Total daily turnover	4,310	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1026-5-9.5	1053-4
Previous	1005-06	1030-31
High/low		1055/1049
AM Official	1028-6	1053-3.5
Kerb close		1052.5-3.5
Open int.	72,717	
Total daily turnover	53,049	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2061.5-3.5	2029-30
Previous	2040.5-42.5	2008-09
High/low	2067	2042/2015
AM Official	2066-7	2030-1
Kerb close		2015-6
Open int.	167,380	
Total daily turnover	69,642	

■ LME AM Official £/$ rate: 1.6128
LME Closing £/$ rate: 1.6145

Spot: 1.6125 3 mths: 1.6106 6 mths: 1.6089 9 mths: 1.6089

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	100.00	-1.20	101.15	99.30	627	1,280
Nov	95.95	-1.70	97.70	95.35	214	2,352
Dec	95.45	-1.70	97.30	94.80	14,241	26,320
Jan	94.25	-1.60	94.80	94.86	178	1,750
Feb	93.45	-1.50	93.00	92.00	33	975
Mar	92.55	-1.60	94.20	91.65	2,513	11,474
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.00-383.30		
Opening	382.70-383.00		
Morning fix	382.80	237.322	483.706
Afternoon fix	382.90	237.354	482.942
Day's High	383.00-383.30		
Day's Low	382.50-382.80		
Previous close	382.50-382.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.49 6 months 3.51
2 months ....3.47 12 months 3.56
3 months 3.47

Silver Fix	p/troy oz.	US cts equiv.
Spot	304.85	491.85
3 months	309.15	498.20
6 months	313.35	504.40
1 year	322.20	517.05

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	236-238
Maple Leaf	387.90-390.35	-
New Sovereign	89-92	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	383.2	+0.4	383.7	383.2	15	11
Dec	384.6	-	384.9	384.4	12,954	98,649
Feb	386.6	-0.1	387.0	386.5	490	16,871
Apr	388.7	-0.1	389.0	388.6	418	10,874
Jun	391.0	-0.1	391.4	391.0	93	10,983
Aug	393.4	-0.1	393.6	393.6	148	4,427
Total					15,158	186,120

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	388.4	+2.2	388.5	386.2	3,601	19,394
Apr	391.0	+2.2	391.5	389.5	147	7,846
Jul	394.0	+2.2	394.5	394.5	6	615
Oct	397.5	+2.2	-	-	1	28
Total					3,748	28,184

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	117.60	-0.65	118.25	117.50	183	7,391
Mar	118.70	-0.65	119.25	119.25	1	450
Jun	119.75	-0.65	120.75	120.75	-	115
Total					184	7,956

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	490.3	+0.3	491.0	491.0	17	12
Dec	493.0	+0.5	493.5	491.5	6,281	63,447
Jan	495.0	+0.5	-	-	-	26
Mar	500.0	+0.5	500.5	499.0	136	13,213
May	504.6	+0.5	-	-	69	6,614
Jul	509.2	+0.5	508.5	508.5	11	5,130
Total					6,620	95,593

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	25.26	+0.40	25.34	24.64	30,727	101.9k
Jan	24.73	+0.34	24.82	24.26	13,415	54,732
Feb	24.21	+0.32	24.28	23.93	4,682	36,612
Mar	23.41	+0.29	23.75	23.33	3,921	22,276
Apr	23.24	+0.31	23.25	22.85	2,249	15,371
May	22.33	+0.14	22.75	22.28	1,534	11,061
Total					63,209	401,354

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.25	+0.50	24.25	23.78	12,952	74,568
Jan	23.54	+0.39	23.54	23.20	5,718	39,810
Feb	22.86	+0.30	22.86	22.58	1,441	23,719
Mar	22.20	+0.26	22.20	22.00	556	26,026
Apr	21.60	+0.23	21.80	21.45	861	9,554
May	20.92	-	21.02	20.92	260	3,892
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	72.50	+0.78	72.70	70.60	13,074	20,251
Dec	72.86	+0.93	72.70	70.70	14,279	41,179
Jan	71.95	+0.86	72.10	70.45	4,479	29,590
Feb	70.30	+0.63	70.40	69.05	2,908	14,451
Mar	67.50	+0.78	67.70	66.60	1,104	6,467
Apr	62.80	+0.48	63.86	63.15	282	5,069
Total					37,502	138,247

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	227.00	+2.75	228.00	222.50	7,604	28,694
Dec	221.75	+2.50	221.50	216.50	4,603	23,709
Jan	217.25	+1.50	216.75	214.75	1,802	18,812
Feb	211.50	+2.00	210.00	206.50	230	6,363
Mar	204.00	+1.75	203.00	201.50	442	5,656
Apr	186.75	+1.75	195.00	194.75	180	4,217
Total					15,124	101,448

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.775	+0.071	2.810	2.705	21,104	38,630
Jan	2.730	+0.053	2.760	2.710	8,139	23,909
Feb	2.540	+0.040	2.550	2.510	3,470	13,445
Mar	2.365	+0.045	2.375	2.335	1,491	9,529
Apr	2.150	+0.020	2.165	2.165	327	5,380
May	2.060	-0.030	2.095	2.070	370	4,804
Total					83,957	147,524

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	71.45	+1.35	71.75	69.70	11,006	17,561
Dec	68.60	+0.93	68.80	67.25	54,935	22,536
Jan	66.80	+0.52	88.90	65.80	3,786	12,286
Feb	65.10	+0.05	66.15	65.30	831	3,986
Mar	65.30	+0.05	86.25	66.25	161	2,309
Apr	67.20	+0.10	68.00	67.00	172	2,451
Total					25,560	63,389

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	97.45	-0.55	97.45	97.40	26	278
Jan	99.40	-0.10	99.60	98.50	97	2,408
Mar	100.40	-0.20	100.75	99.50	82	1,791
May	101.75	-0.25	102.15	101.25	131	1,457
Jul	103.25	-0.25	-	-	-	176
Nov	97.50	-	-	-	-	136
Total					336	6,248

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	382.25	-7.5	390.00	380.00	11,248	33,209
Mar	376.75	-5.5	383.00	375.00	4,667	15,723
May	362.25	-5.25	369.00	362.00	282	2,066
Jul	351.75	-0.75	354.50	351.50	642	10,132
Sep	355.00	-	355.00	355.00	8	288
Dec	362.00	-1	366.00	362.00	1	165
Total					16,848	61,637

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	275.25	-	276.50	274.25	32,389	143,850
Mar	280.75	+2	281.50	278.50	12,647	87,586
May	286.25	+2.25	286.75	283.25	7,440	41,463
Jul	289.00	+2.75	289.25	286.50	5,482	32,438
Sep	283.00	+4	283.00	280.00	419	3,513
Dec	280.75	+3.25	281.50	278.00	1,872	24,299
Total					60,504	334,403

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	93.75	-	-	-	-	386
Jan	95.00	-	95.00	95.00	36	786
Mar	96.50	-	-	-	-	186
May	98.00	-	98.05	98.00	34	100
Sep	93.00	-	-	-	-	1
Total					70	1,494

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	702.25	+1.75	706.00	700.50	39,725	48,581
Jan	703.50	+4.5	706.00	699.50	22,062	55,175
Mar	706.50	+3.75	711.00	707.00	6,538	30,531
May	710.50	+5	712.00	705.50	2,147	16,652
Jul	712.50	+7	714.50	709.00	3,293	14,816
Aug	710.50	+8	712.50	707.50	48	1,539
Total					77,094	175,413

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.13	-0.14	23.40	23.08	6,186	49,648
Jan	23.40	-0.15	23.64	23.35	2,242	17,706
Mar	23.78	-0.09	23.95	23.70	1,256	16,888
May	24.13	-0.02	24.25	24.00	578	9,446
Jul	24.45	+0.03	24.45	24.35	639	3,723
Aug	24.50	+0.05	24.55	24.50	4	1,338
Total					10,948	100,959

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	230.0	+1.3	230.8	228.7	10,793	42,411
Jan	225.8	+1.2	226.5	225.5	2,240	9,398
Mar	222.0	+1.2	222.6	221.0	2,923	18,024
May	219.7	+1.6	220.7	219.0	1,414	9,546
Jul	219.9	+1.8	220.6	218.5	525	5,265
Aug	219.0	+1	220.0	218.0	212	1,521
Total					18,121	87,420

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	32.5	-	-	-	-	2
Mar	67.5	-1.5	-	-	-	-
Apr	69.5	-1.5	71.5	69.5	58	1,326
May	78.5	-1.5	-	-	-	17
Jun	88.5	-1.5	-	-	-	-
Total					94	1355

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1285	-	-	-	-	719
Nov	1355	+28	1337	1320	47	513
Dec	1316	+22	1318	1295	66	363
Jan	1309	+19	1305	1285	55	1,965
Apr	1320	+10	1300	1300	7	673
Jul	1130	+15	1150	1150	2	185
Total					177	4467

	Close	Prev
BFI	1238	1256

FUTURES DATA
All futures data supplied by CMS.

Tea

The Tea Broker's Association reports, good demand. Landed quality assams sold well with prices appreciating up to 200 pence for the best. Mediums remained about steady. East Africans were fully firm with coloury mediums showing a dearer tendency. Offshore good competition at firm to dearer rates. Quotations: landed best available 200p/kg., good 128p/kg., good medium 117p/kg., medium 107p/kg., low medium 90p/kg. The highest price realised this week was 200p for a North India pf.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	928	-9	938	927	984	28,036
Mar	955	-9	965	954	3,456	42,502
May	971	-8	980	970	697	18,761
Jul	986	-8	993	985	620	11,932
Sep	1000	-9	1008	1000	234	4,828
Dec	1012	-10	1012	1012	20	4,519
Total					6,276	132,128

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1347	-13	1360	1346	5,722	25,177
Mar	1374	-15	1390	1372	2,659	23,856
May	1391	-13	1405	1391	1,187	6,943
Jul	1410	-10	1423	1410	104	8,469
Sep	1421	-10	1428	1420	72	5,780
Dec	1442	-10	-	-	1	000
Total					9,797	79,989

■ COCOA (ICCO) (SDR's/tonne)

Oct 25	Price	Prev. day
Daily	1015.41	1014.33

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1524	-	1530	1515	1,001	6,963
Jan	1391	+7	1394	1378	1,151	15,030
Mar	1337	+10	1337	1320	391	7,826
May	1316	+8	1313	1308	50	3,012
Jul	1316	+8	-	-	-	433
Sep	1316	+8	-	-	-	114
Total					2,593	33,510

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	119.10	+3.10	120.10	116.50	3,569	12,524
Mar	105.85	+1.75	106.40	104.25	1,602	9,356
May	104.00	+1.40	104.00	102.75	428	3,206
Jul	103.25	+1.00	104.00	103.00	221	939
Sep	102.25	+0.10	102.25	102.25	44	647
Dec	103.40	+0.80	102.75	102.75	145	402
Total					6,009	27,144

■ COFFEE (ICO) (US cents/pound)

Oct 25		Prev. day
Comp. daily	99.55	99.75
15 day average	99.16	99.00

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	314.7	-2.6	318.2	315.0	705	8,115
Mar	311.2	-2.9	315.2	311.6	1,091	11,914
May	311.3	-2.9	315.0	312.0	80	4,294
Aug	313.7	-2.4	316.5	314.5	9	1,733
Oct	306.8	-2.3	310.0	309.5	10	996
Dec	309.4	-2.4	313.0	312.0	15	284
Total					1,916	27,653

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.54	-0.16	10.73	10.53	2,815	64,762
May	10.59	-0.12	10.74	10.59	600	29,167
Jul	10.53	-0.09	10.63	10.52	320	18,916
Oct	10.52	-0.09	10.61	10.52	117	10,661
Mar	10.50	-0.05	10.58	10.50	6	3,293
May	10.46	-0.05	10.54	10.52	-	654
Total					3,861	147,903

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	72.75	+0.21	73.34	72.40	4,924	25,678
Mar	74.30	+0.19	74.90	74.05	883	13,198
May	75.35	+0.20	75.86	75.02	304	7,936
Jul	78.03	+0.33	76.45	75.75	132	6,580
Oct	76.40	+0.10	76.45	76.40	6	1,267
Dec	76.27	+0.02	76.50	76.25	57	4,480
Total					6,300	59,508

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	113.80	+2.80	115.00	109.50	514	5,773
Jan	104.30	+2.65	105.00	101.00	701	7,913
Mar	106.00	+2.00	106.00	104.60	183	4,140
May	111.15	+5.00	111.15	105.60	45	958
Jul	113.25	+5.00	-	-	11	537
Sep	114.75	+5.00	-	-	1	250
Total					1,455	19,698

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 28	Oct 25	month ago	year ago
1876.5	1881.7	1882.5	2088.0

■ CRB Futures (Base: 1967 = 100)

Oct 25	Oct 24	month ago	year ago
243.26	241.90		

■ GSCI Spot (Base: 1970 = 100)

Oct 25	Oct 24	month ago	year ago
na	207.57	na	na

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.675	+0.875	66.800	65.850	4,478	40,145
Feb	63.525	+0.75	63.600	62.875	1,760	18,104
Apr	64.975	+0.4	65.150	64.625	1,042	12,005
Jun	62.775	+0.275	63.050	62.550	651	5,597
Aug	62.375	+0.3	62.600	62.300	323	5,833
Oct	64.875	+0.2	65.075	64.750	108	2,980
Total					8,403	84,748

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	53.875	+1.425	53.925	52.900	3,207	15,565
Feb	73.825	+1.6	73.900	72.550	1,355	7,986
Apr	69.550	+1.475	69.700	68.375	288	3,153
Jun	74.075	+0.925	74.500	73.200	166	3,103
Jul	72.200	+0.875	72.400	71.600	41	760
Aug	68.925	+0.725	69.000	68.100	41	687
Total					5,116	31,866

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	70.050	+2.125	70.100	68.100	960	4,882
Mar	69.950	+2	70.000	68.200	119	464
May	71.700	+2.1	71.500	69.100	25	359
Jul	71.675	+1.775	71.500	70.700	7	146
Aug	70.700	+2	69.200	-	5	48
Total					1,111	5,899

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1400	44	85	38	52
1450	23	60	67	77
1500	11	42	105	107

■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1950	127	133	31	98
2050	68	89	72	152
2150	32	57	135	217

■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	21	29	130	192
1550	15	21	174	234
1600	11	15	220	278

■ COCOA LIFFE	Dec	Mar	Dec	Mar
950	10	37	32	32
975	4	27	51	47
1000	2	19	74	64

■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2300	-	-	11	74
2350	-	-	16	-
2400	64	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$22.16-2.24x	+0.57
Brent Blend (dated)	$24.45-4.46	+0.345
Brent Blend (Dec)	$24.51-4.52	+0.555
W.T.I.	$25.25-5.26x	+0.595

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$239-241	+1
Gas Oil	$228-229	+3
Heavy Fuel Oil	$119-121	
Naphtha	$226-228	+1
Jet fuel	$256-258	+3.5
Diesel	$249-251	+3.5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.60-3.80	+0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

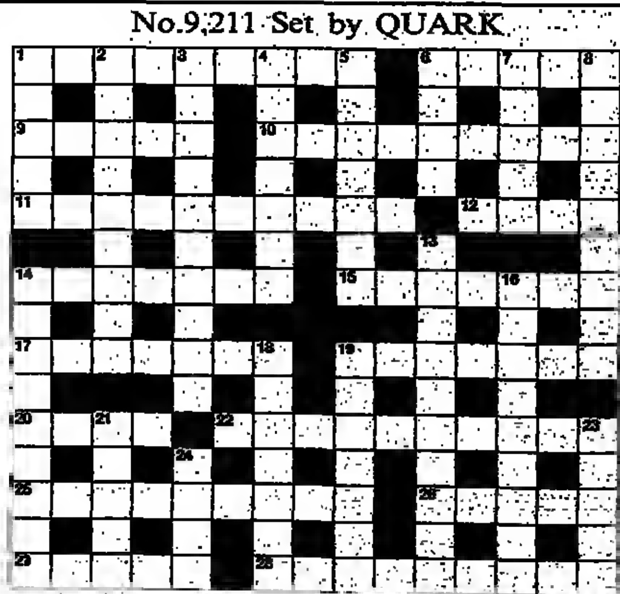
Gold (per troy oz)♣	$383.15	+0.45
Silver (per troy oz)♣	493.50c	+2.00
Platinum (per troy oz.)	$383.50	-0.75
Palladium (per troy oz.)	$116.25	-0.75
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.70r	-0.05
Tin (New York)	277.50	
Cattle (live weight)	99.40p	+1.16*
Sheep (live weight)	121.54p	+5.18*
Pigs (live weight)†	96.30p	+1.75*
Lon. day sugar (raw)	$271.90	+0.60
Lon. day sugar (wte)	$325.90	+0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	81.75p	
Rubber (Dec)♥	81.75p	
Rubber (KL RSS No1)	310.0z	+0.5
Coconut Oil (Phil)§	$735.0v	+10.0
Palm Oil (Malay.)§	527.5z	+5.0
Copra (Phil)§	$449.0v	-10.0
Soyabeans (US)	204.0	-1.0
Cotton Outlook'A' index	75.15	
Wooltops (64s Super)	420p	+6

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 438 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,211 Set by QUARK



ACROSS

1 The jester's bold, but rash (9)
6 Top dog to chew noisily? (5)
9 Superior part of shoe (5)
10 Preclude offer by a local person (9)
11 With which one shows weakness eg inability to progress? (4,2,4)
12 Orders mostly cheese (4)
14 Form of protection in boats perhaps (7)
15 Treat enamel with a bit of glutinous mixture (7)
17 To be echoed in a credo under examination (7)
19 Eat jammy scone without sign of hesitation (7)
20 The data printout's a lot of rubbish (4)
22 A "well-known" gallery (4,2,4)
25 The flower of youth (9)
26 Both hands grabbing mature drink (5)
27 He's to change habitual character (5)
28 Re-establish nation following a form of control (9)

DOWN

1 Make mistake being down? (5)
2 Overwhelmed when operation expedited (9)
3 Having agreement in injury over money promises (10)
4 Cross it to burn one's boats (7)
5 Ray with dream at sea used to support sail (7)
6 Sounds like junction eight? (4)
7 Army site in which shot's demolished tree (5)
8 Hold fast by means of stem (9)
13 They will provide cover for the viewers (10)
14 Social gathering banned car when disruptive (4,5)
16 Rule again - is invalid? That's a real pain (9)
18 Letter-heading? (4,3)
19 Depression is so upsetting for those with great power (7)
21 Wreck church's advance (5)
23 Gloomy stretch of water they say (5)
24 A bent for the game of bowls? (4)

Solution to Saturday's prize puzzle on Saturday November 9.
Solution to yesterday's prize puzzle on Monday November 11.

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Prices for dealing October 28

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

New York 9am.

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IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)						
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320						
Latin America Equity			$48.12	48.84	—	-
North America Equity			$79.29	79.59	—	-
Asian Tigers Equity			$61.10	61.80	—	-
Europe Equity			$72.87	73.23	—	-
Germany Equity			DM215	132.35	—	-
Japan Equity			$47.40	47.87	—	-
Europe Bond			$80.93	81.08	—	-
US Bond			$58.00	58.61	—	-
Global Bond			$60.85	61.00	—	-
Germany Bond B			[illegible]	108.79	—	-
Spain Bond			[illegible]	9952	—	-
Eastern Europe Equity F			[illegible]	178.42	—	-
China Equity F			$58.26	58.95	—	-
Switzerland Equity			[illegible]	122.58	—	-
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Global Gap Portfolio			$3.712		-0.013	-
United States Portfolio			$5.439		-0.009	-
Contl Europe Portfolio	6		DM8.313		+0.040	-
Japan Portfolio			$0.810		-0.009	-
Pacific Portfolio			$5.531		-0.040	-
Gold Portfolio			$0.239		-0.036	-
UK Growth of Income			£2.120		-0.004	3.61
Dollar Portfolio			$1.9032		+0.001	7.83
Sterling Portfolio			$1.1052		+0.001	6.30
Aetna Master Fund (u) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 478 98500						
Australasian NAV			A$17.24		[illegible]	-
Austrian Nat NAV			Sch84.58		[illegible]	-
Belgo/Lux NAV			BFr788.62		[illegible]	-
Dutch Nat NAV			DM40.15		[illegible]	-
French Nat NAV			FFr132.52		[illegible]	-
German Nat NAV			DM18.13		[illegible]	-
Hongkong Nat NAV			HK$125.85		[illegible]	-
Italian Nat NAV			L17704		[illegible]	-

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.						
Country Select Funds						
ASEAN			$18.64		-0.20	-
Asian Special Situations			$10.63		-0.12	-
Australia			A$16.51		-0.20	1.29
Emerging Markets			[illegible]		[illegible]	-
European Smr Cos F			DM13.89		+0.07	-
France			[illegible]		+0.23	-
Germany			DM27.16		+0.08	-
Hong Kong			$49.32		-0.25	0.68
Iberia			Pta1685		-1	-
Indonesia			$10.07		-0.10	-
Italy			L14172		-21	-
Japan Smlr Cos			Y1045		-5	-
Korea F	0		$8.677		-0.140	-
Latin America			$8.372		-0.067	0.54
Malaysia			$34.89		-0.24	-
Nordic			SKr184.7		+0.9	-
Singapore			$24.32		+0.23	-
Switzerland			SFr14.90		+0.02	-
Thailand			$27.44		-0.18	-
United Kingdom			£1.140		-0.008	-
Bond Funds						
European			Ecu11.11		+0.01	5.74
International			$1.051		+0.001	5.26
US Dollar			$5.602		+0.004	5.79
Sterling			£0.254		-0.001	6.23
Yen			Y1664		+3	2.44
Balanced						
European Balanced			DM12.59		+0.03	1.92
Prices as at October 24						
Fleming Group (u)						
6 Route De Treves L-2633 Senningerberg Luxembourg 00 352 34101 or 0800 900 264						
Fleming Flagship Fund (daily dealing)						
FFF American			$51.17	54.13	-0.06	-
FFF Amer Fledgling F			$62.04	65.64	-0.07	-
FFF Asian Smaller Cos F			$10.51	10.81	-0.05	-
FFF China			$12.36	13.06	-0.11	-
FFF Continental Europe F			[illegible]	36.12	+0.43	-
FFF DM Balanced F	6		[illegible]	11.47	+0.02	-
FFF DM Bond	3		[illegible]	11.57	-0.01	6.50

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+ or -	Yield Gross
GAM Select				
Select Asian Class A	$94.11		—	-
Select Asian Class B	$92.57		—	-
Select European A	$107.83		—	-
Select European B	$101.40		—	-
Select Japan A	$111.98		—	-
Select Japan B	$115.48		—	-
Select Money Markets B	$101.52		—	-
Select North American A	$106.44		—	-
Select North American B	$125.37		—	-
Select Pacific A	$107.45		—	-
Select Pacific B	$105.25		—	-

	Selling Price	Buying Price	+ or -	Yield Gross
JF Global Convertibles Tst	$14.98	14.88	-0.08	-
JF Global Securities Tst	$23.33	24.88	-0.05	-
JF International Bond	$10.48	10.87	-0.02	-
JF Managed Currency Fd	$15.47	16.37	+0.07	-
JF Masterfund				
JF Asia Growth Pfolio	$8.19	9.21	-0.19	-
JF Intl Growth Pfolio	$10.48	11.81	-0.02	-
JF Money Fund - US$	$105.12	105.12	+0.04	5.08
JF Money Fund - Yen	Y1000.27	1000.27	—	0.00
JF Money Fund - DM	DM102.94	102.94	+0.02	2.61
JF Money Fund - £	£105.61	105.61	+0.04	5.33
JF Money Fund - SFr	SFr101.44	101.44	+0.01	1.08
JF Money Fund - Ecu	Ecu104.09	104.09	+0.03	3.61
JF Money Fund - C$	C$104.52	104.52	+0.02	3.11
JF Money Fund - A$	A$106.90	106.90	+0.08	8.59
JF Money Fund - HK$	HK$105.03	105.03	+0.04	5.01

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Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Managed Portfolio				
Managed Portfolio	$1127.52		—	-
Swiss Registered Funds				
GAM (CH) Europe	SFr111.90		+0.30	-
GAM (CH) Mondial	SFr161.65		+0.05	-
GAM (CH) Pacific	SFr256.25		-2.55	-
SEC Registered Funds				
GAMerica Capital	$12.08		-0.06	-
GAM Asian Capital	$9.31		-0.01	-

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF Capital Guaranteed Master Series				
Hong Kong Index Sub Fund	$10.30		-0.01	-
Tokyo Index Sub Fund	$9.69		-0.03	-
New York Index Sub Fund	$9.80		—	-
DEM Bull Sub Fund	$9.17		-0.02	-
DEM Bear Sub Fund	$10.83		+0.07	-
Yen Bull Sub Fund	$9.87		—	-
Yen Bear Sub Fund	$10.49		+0.09	-
USD Account	$104.00	110.86	+0.04	5.00

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq		473½	+8½	556	419	4,913	6.2	17.9
Bulmer (HP)		520	+5	625	477	274.6	3.2	17.4
Burn St Dist		69½	+¾	146	68½	48.9	6.2	ф
Glenmorangie A		755		775	600	47.9	2.0	19.3
Grand Met		475½	-4½	498	411	9,980	4.0	20.2
Guinness		449½	-3	512	435	8,865	4.2	13.9
Highland		330		378	315	429.9	3.2	15.6
5¼pc Cnv Bds		99½		101½	96½	-	-	-
Kirin Y		650¼	-8	679¾	644	8,843	0.8	28.5
Matthew Clark		300	+5	800	277½	265.5	10.0	14.3
Merrydown		110½		141	93	12.0	5.1	10.1
Seagram $		522¼	-3½	625¾	520¼	6,067	1.2	-

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

In Europe's crowded skies,
Rockwell Avionics plays a key role in
promoting safety and efficiency.

Rockwell

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TELECOMMUNICATIONS - Cont.

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£21½xd	-	*£34½	£21½	1,724	3.4	φ
Barlow	♣†	£5½		£10½	£5½	1,149	2.1	-
Gold Flds Prop R		124	-½	170	120	12.7	6.4	10.4
Jak Props.		82	-	98	60	2.49	13.7	-
SASOL	♥	845	[illegible]	710	475	3,777	1.6	-
SA Brews		£16½	[illegible]	£28¼	£16¼	4,808	2.0	φ
Standard Bank		£24½	-½	£32½	£22½	2,886	1.5	22.1
Tiger Oats	†	780		1270	770	1,188	1.9	17.4
Tongaat-Hulett		780xd	-10	1247	736	716.3	2.3	φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange
- ♣ Free annual/interim report available, see details below.
- ✲ USM not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
p Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
8 Forecast annualised yield, p/e based on prospectus or other official estimates
W Pro forma figures
Z Dividend yield to date

Abbreviations:
xd ex dividend
xc ex scrip issue
xr ex rights
xa ex all
xt ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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Bid fails to put sparkle into FTSE 100 index

MARKET REPORT

By Peter John

A stock market looking for direction found it briefly with a bid and then lost its nerve over interest rates.

Dealers began the week happy to keep their books flat to short ahead of a clutch of significant economic data.

The FTSE 100 index was marginally easier at the start of trading as equities responded to a weaker gilts market. In turn, bonds were reacting to the possibility that tomorrow's meeting between the chancellor of the exchequer and the governor of the Bank of England could herald a rate rise.

The theory is that the meeting represents the last chance before May to tinker with monetary policy. After the meeting comes the Budget and, after that, the country shifts into general election territory and any move would be considered political.

However, shortly after the opening, CE Electric of the US launched a £651m offer for Northern Electric.

A bid in the utilities sector was predicted last week, but the actuality reminded the market that the takeover bandwagon might have further to roll and the prospect of an injection of cash dispelled the Monday mood.

There was a rush of buying in the futures market as dealers, who have hedged against a downturn by holding short positions, raced to cover themselves against a bid-inspired rally.

And Footsie built on the gain as sterling showed no sign of giving up its seemingly unstoppable rally. The currency rose nearly a cent against the dollar and half a pfennig against the D-Mark.

A stronger pound hits big overseas earners such as the pharmaceuticals leaders. Thus sterling's rise might offset the argument for a rate boost, which would tend to increase the attraction of the currency.

Mr John Shepperd, the chief economist with Yamaichi, pointed out yesterday: "The interest rate debate has swung from whether the chancellor can risk another rate cut to whether he can avoid a rate hike."

However, he added: "The recent marginal drop in retail sales and the strength of sterling will give some ammunition to fight off the governor."

Sterling's buoyancy has also encouraged increased overseas investment and some traders noted steady European buying yesterday.

Nevertheless, there was not enough to sustain the morning rally. Footsie failed to respond to a strong opening on Wall Street preferring to dwell not only on tomorrow's Ken and Eddie show, but also on UK consumer credit data on Thursday and - from the US - payroll and GDP figures.

From showing a gain of 15 points at best, Footsie edged lower to end the day only 2.9 points up at 4,025.3. It was left to the FTSE 250 Index, which includes a heavy dose of utilities companies, to show any real vitality. The 250 rose 11.6 to end the day at 4,443.1.

Total turnover of 641.4m shares of which 57 per cent was in non-Footsie stocks. Genuine customer business on Friday was worth £1.48bn.

FTSE All-Share Index

Equity shares traded

Indices and ratios

FTSE 100	4025.3	+2.9	FT 30	2839.4	+5.3
FTSE 250	4443.1	+11.6	FTSE Non-Fins p/e	18.21	18.18
FTSE 350	2002.8	+2.2	FTSE100 Fut Dec	4052.0	-2.0
FTSE All-Share	1975.88	+1.98	10 yr Gilt yield	7.56	7.51
FTSE All-Share yield	3.76	3.76	Long gilt/equity yld ratio	2.11	2.10

Best performing sectors

1 Telecommunications ......+1.1
2 Alcoholic Beverages ......+1.0
3 Engineering: Vehicles ......+0.9
4 Life Assurance ......+0.9
5 Electronic & Elect Equip ......+0.8

Worst performing sectors

1 Pharmaceuticals ......-0.4
2 Banks: Retail ......-0.4
3 Household Goods ......-0.4
4 Banks: Merchant ......-0.3
5 Chemicals ......-0.3

Northern soars on hostile bid

By Joel Kibazo, Lisa Wood, Ramraj Gogna

Northern Electric was the main talking point of the day as dealers argued over the likely exit price for the distributor following a hostile 630p a share bid from CE Electric. CE is 70 per cent owned by CalEnergy of the US.

Northern, which last year escaped the clutches of Trafalgar House, not only rejected the bid, but also revealed it had been in discussions with its predator over the weekend which culminated in a proposal of an offer around the 700p a share mark. CE later denied making such a suggestion.

Shares in the group raced forward on news of the bid and a market raid for Northern stock. They gained nearly 25 per cent as the stock jumped 128 to 648p, the best performer in the FTSE 250 index.

Turnover rose to a hefty 21m with ABN Amro Hoare Govett, acting on behalf of CE Electric, having bought 12.88m shares at 630p a share, the equivalent of 12.7 per cent of Northern's issued share capital.

Market specialists suggested it is now simply a matter of price and several suggested the predator may only have to raise its offer by a small amount to make Northern the fourth UK electricity utility to come under US control.

One analyst said: "I can't see a white knight coming in. There are other regional electricity companies to go for without getting involved in a bid battle."

The bid for Northern triggered renewed bid talk in several other stocks in the sector. They included London, which advanced 18½ to 608½p, while Yorkshire hardened a penny to 744½p. Southern was also in demand and ended the day 17½ ahead at 647½p.

However, it was a bad day for last week's bid favourite East Midlands Electricity. Many had expected the group to be the next takeover candidate and the absence of such an announcement yesterday brought out the sellers. The shares fell 15 to 545½p, in trade of 2.5m.

Abbey up

Banking group Abbey National was the best Footsie performer with the help of a broker's recommendation. As the session drew to a close, the shares showed a gain of 16 to 636p, with 7.6m having been dealt.

Analysts at Merrill Lynch yesterday reiterated their positive stance, suggesting the stock to be "undervalued", having trailed the market by around 7 per cent over the last three months and by 12 per cent over a six-month period.

They also pointed out that events such as yesterday's confirmation that the Alliance & Leicester Building Society is to convert to a bank and float on the stock exchange is likely to trigger a change of attitude towards the sector.

The float, with others such as Halifax and Woolwich due, will largely go into the hands of private investors, which should benefit Abbey as institutions search for stock in the expanded sector.

DFS active

DFS Furniture climbed 16½ to 554p after NatWest Securities completed the placing of about 21m shares at 533p per share on behalf of the family of Sir Graham Kirkham, its chairman.

Dealers said the placing had gone well and that the shares rose after the stock overhang had been removed. The children of Sir Graham announced their intention to sell the majority of their 22 per cent stake at the company's full-year results. The children now hold about 2 per cent.

British Aerospace and GEC rose following a press report over the weekend that the Ministry of Defence had decided not to oppose a defence deal between the two groups.

Dealers traded large volumes on both stocks, where BAe gained 22½ to close at 1168½p, and GEC rose 7 to close at 378½p. The events surrounding BAe and GEC reflect the continued optimism in the aerospace market both in the short and medium term.

Following speculation over a possible merger between Vickers and GKN, the former rose 11½ to 300p and the latter 22½p to 1172½p.

Rolls-Royce reacted negatively to two developments. The company confirmed it will issue redundancy notices to all 1,700 staff at its turbine plant in Tyneside. This offset news of a £25m order to supply burners to Portugal and the shares fell 3¼ to close at 264p.

Wolseley the builders merchant which went ex-dividend yesterday, hardened 2¼ to 485p despite cautious comment from NatWest Securities. The broker reiterated its "reduce" stance concerned at the outlook for trading in the US. It added: "Wolseley is a great company. It has a niche franchise within the distribution sector and its track record is commendable."

Pearson initially fell after weekend media reports suggesting the shares were "hopelessly overvalued". However, towards the close of trading, the shares revived 5¼ to 738p after Mr Derek Terrington, media analyst at Teather & Greenwood, suggested the stock should be bought. He repeated speculation that new top management was set to re-examine Pearson's broad spread of businesses, with significant disposals possible.

Boots fell 5 to 637½p on speculation that Marks & Spencer is to launch a range of over-the-counter pharmaceuticals. However, M&S said it was not planning to go into the sector other than vitamins and minerals.

Storehouse weakened 7 to 287½p on concerns over sales growth ahead of its interims.

Kenwood Appliances added 8½ to 250½p after reports that UK Active Value Fund is pressing the board of the household goods manufacturer to put the company up for sale.

The fund, which owns 9 per cent of Kenwood, is planning to requisition an extraordinary meeting to push through its demands.

Watson & Philip fell 45½ to 420½p after the group issued a profits warning because of an overrun in costs at a new development in its food service division.

Analysts downgraded forecasts although there seemed to be little concern for the longer-term.

A rise in interim profit resulted in Grampian TV rising 22 to 292p.

HTV eased 15½ to 369½p. Last week United News & Media, which was up 2½ to 671p, acquired a 20 per cent stake in the company from Scottish TV and stated that it had no intention of making an offer for the balance. Scottish TV fell 21 to 732½p.

FT 30 INDEX

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	*High	*Low
FT 30	2839.4	2834.1	2819.5	2831.3	2856.8	2579.4	2885.2	2668.8
Ord. div. yield	4.01	4.01	4.03	4.01	3.97	4.12	4.22	3.78
P/E ratio net	17.22	17.20	17.13	17.19	17.37	15.51	17.46	15.80
P/E ratio nil	17.06	17.04	18.97	17.03	17.21	15.32	17.30	15.71

FT 30 since compilation: high 2935.2 19/04/96, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2832.7	2841.5	2839.7	2842.5	2843.4	2843.7	2841.0	2837.6	2840.5	2843.9	2832.5

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago
SEAQ bargains	42,436	34,484	33,698	35,494	38,234	24,332
Equity turnover (£m)†	-	1481.1	1463.2	1630.2	1314.0	883.0
Equity bargains†	-	28,340	27,635	29,223	31,444	28,115
Shares traded (ml)†	-	458.6	510.5	506.8	488.8	467.0

†Excluding intra-market business and overseas turnover.

	Oct 28	Oct 25	Oct 24	Oct 23	Oct 22	Yr ago	*High	*Low
FTSE AIM	1022.20	1021.90	1011.90	1009.40	1008.50	-	1140.40	965.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	450	Total Highs	68	Total contracts	29,978
Total Falls	724	Total Lows	135	Calls	14,096
Same	1,432			Puts	15,882

Oct 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4052.0	4052.0	-2.0	4067.0	4045.0	7747	62199
Mar	-	4066.0	-2.0	-	-	0	685
Jun	4086.0	4081.0	-0.5	4086.0	4086.0	18	1297

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Dec	-	4481.0	+11.0	-	-	0	3671

■ FTSE 100 INDEX OPTION (LIFFE) (*4025) £10 per full index point

[illegible]

Calls 4,013 Puts 4,046

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3875		3925		3975		4025		4075		4125		4175		4225	
Nov	168	5½	122	9½	80	17½	45½	33	21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	197½	22	156½	30½	118½	42	85	58	57	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	217	31	177	41	149½	54½	108½	72½	88½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar†			212	74			147½	107½			[illegible]	[illegible]			[illegible]	[illegible]
Jun†			264	114			281½	148			[illegible]	[illegible]			[illegible]	[illegible]

Calls 4,743 Puts 9,212 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§3	F.P.	7.55	4	4	†Beechcroft	4		-	-	-	13.2
§135	F.P.	47.1	162½	152½	Charles Taylor	161½	-	L4.2	0.8	3.3	51.8
150	F.P.	29.5	169½	160½	Delfron Electn	160½		W2.75	2.9	2.1	15.2
§146	F.P.	35.8	246	148	†Elec Retail Sys	170½		-	-	-	-
§	F.P.	11.4	318	305	†Eurasia Mining	305		-	-	-	-
§90	F.P.	24.9	92½	90½	†Fitness First	90½		bW-	-	-	28.3
100	F.P.	103.5	113½	103½	†Geo Inter Med	103½		-	-	-	-
§	F.P.	-	127	111½	Hartstone 8%	121		-	-	-	-
§100	F.P.	24.9	99½	99	Hlthcare Reform	99½		-	-	-	-
*	F.P.	1,924	429	359½	Imperial Tobacco	360½	-2	W20.0	2.5	6.8	7.4
§	F.P.	55.2	177	165½	Interoute Telecm	165½		-	-	-	-
§285	F.P.	137.2	310	294½	John O Sports	295	-3½	L4.3	2.5	1.8	27.9
§140	F.P.	33.0	160½	145½	Lavendon	155	-½	R8.4	3.8	2.7	12.1
72	F.P.	27.8	79½	73½	†Loftus Road	74½		-	-	-	-
*	F.P.	43.1	131½	128	Lomond Undrwrtng	130½		-	-	-	-
§10	F.P.	4.32	12¼	11¼	†Mears Group	12		K0.2	-	2.1	-
-	F.P.	1,009	£16⅛	£13¾	Millennium Chem	£13⅞	-½	Q60c	-	2.7	-
§154	F.P.	19.6	211½	187½	Oriental Rest	205½		-	-	-	29.2
170	F.P.	1,027	177	168	Thistle Hotels	170½	+½	R8.7	2.5	2.7	18.3
§250	F.P.	195.0	302	282½	Ultra Electn	300		RW6.5	2.3	2.7	20.3
§	F.P.	104.2	62	52	†Victory Corp	55		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 25	% chg on day	Oct 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1914.17	-0.1	1916.56	1794.90	1.88	-	2620.73	1722.93
■ Regional Indices								
Africa (13)	2455.52	-1.1	2483.04	2414.96	3.19	35.17	3553.86	2272.74
Australasia (6)	2186.10	-1.1	2209.82	2195.66	2.55	21.34	2827.34	2005.75
North America (12)	1726.12	+0.5	1718.14	1562.13	0.74	64.44	2186.39	1486.94

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 28	Day's chge%	Oct 25	Oct 24	Oct 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4025.3	+0.1	4022.4	3999.4	4028.4	3510.0	3.89	2.04	15.74	153.20	1675.36
FTSE 250	4443.1	+0.3	4431.5	4424.5	4431.1	3862.5	3.51	1.50	23.78	158.78	1811.65
FTSE 250 ex IT	4482.9	+0.3	4469.3	4461.3	4467.5	3904.5	3.60	1.52	22.78	167.18	1832.04
FTSE 350	2002.8	+0.1	2000.8	1990.9	2002.8	1747.3	3.81	1.93	16.97	75.28	1703.04
FTSE 350 Higher Yield	1899.9	+0.2	1896.9	1884.5	1891.7	1743.5	5.12	1.82	13.43	97.00	1361.76
FTSE 350 Lower Yield	2112.9	+0.1	2111.3	2104.3	2121.1	1755.7	2.64	2.14	22.17	54.10	1477.98
FTSE SmallCap	2177.97	.....	2178.95	2181.62	2184.01	1940.76	3.13	1.58	25.24	60.85	1811.29
FTSE SmallCap ex IT	2178.36	.....	2178.84	2180.96	2183.10	1929.43	3.33	1.65	22.70	64.57	1824.88
FTSE All-Share	1975.88	+0.1	1973.90	1965.25	1976.34	1726.29	3.78	1.91	17.40	72.83	1705.69

■ FTSE Actuaries Industry Sectors

	Oct 28	Day's chge%	Oct 25	Oct 24	Oct 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3910.05	-0.1	3914.27	3911.24	3979.74	2854.21	3.56	1.63	21.60	128.05	1707.06
12 Extractive Industries(6)	4201.63	+0.4	4184.14	4175.73	4170.97	4040.36	8.86	2.86	12.17	162.00	1252.29
15 Oil, Integrated(3)	4044.96	-0.2	4054.27	4053.23	4137.47	2839.08	3.70	1.45	23.36	195.16	1812.70
18 Oil Exploration & Prod(15)	2917.99	+0.2	2910.89	2900.23	2943.51	1871.40	1.82	1.71	40.28	52.04	1768.11
20 GEN INDUSTRIALS(275)	2076.32	+0.3	2069.80	2062.22	2084.05	1934.81	4.12	1.73	17.55	76.18	1156.52
21 Building & Construction(34)	1215.94	+0.4	1211.21	1211.49	1212.74	906.27	3.47	1.48	24.37	38.99	1035.61
22 Building Matls & Merchs(29)	1968.48	+0.1	1966.73	1953.41	1965.13	1667.64	3.92	1.53	20.87	72.84	1014.56
23 Chemicals(25)	2449.79	-0.3	2456.71	2436.51	2424.54	2406.83	4.14	1.45	20.84	88.14	1160.69
24 Diversified Industrials(19)	1489.51	+0.2	1485.88	1470.38	1477.09	1758.47	6.82	1.82	11.33	89.36	858.72
25 Electronic & Elect Equip(36)	2340.64	+0.8	2321.18	2323.64	2318.55	2103.03	3.34	1.48	25.30	63.97	1234.30
26 Engineering(71)	2677.75	+0.4	2666.66	2660.91	2662.16	2126.27	3.06	2.46	16.61	72.32	1650.48
27 Engineering, Vehicles(14)	3284.43	+0.6	3254.77	3259.18	3257.18	2509.44	3.28	1.72	22.15	101.71	1732.89
28 Paper, Pckg & Printing(26)	2594.60	+0.1	2591.15	2600.90	2604.15	2863.24	4.02	1.82	17.06	91.65	1101.21
29 Textiles & Apparel(19)	1185.66	-0.1	1186.28	1183.53	1186.37	1515.67	6.02	1.18	17.83	81.71	737.65
30 CONSUMER GOODS(82)	3769.98	-0.1	3772.73	3753.05	3781.83	3461.92	3.82	1.93	16.97	129.39	1418.95
32 Alcoholic Beverages(8)	2780.76	+1.0	2752.93	2766.42	2793.74	2882.74	4.57	1.63	16.83	104.19	1021.35
33 Food Producers(25)	2573.03	.....	2572.75	2578.44	2595.13	2500.65	4.09	1.84	16.59	86.69	1180.98
34 Household Goods(15)	2770.93	-0.4	2780.82	2768.27	2785.07	2631.61	3.69	2.25	15.06	100.09	1060.53
36 Health Care(18)	2011.65	+0.1	2010.47	2012.70	2021.57	1976.25	3.00	1.96	21.23	54.40	1240.47
37 Pharmaceuticals(14)	5891.99	-0.4	5918.77	5865.96	5913.96	4771.74	2.90	2.01	21.39	162.93	2092.62
38 Tobacco(2)	3678.69	-0.2	3684.86	3606.22	3634.59	4434.51	7.05	2.11	8.41	262.07	947.32
40 SERVICES(254)	2611.45	+0.1	2609.27	2609.61	2631.91	2144.67	2.84	1.97	22.36	73.50	1378.64
41 Distributors(30)	2883.95	+0.4	2873.38	2878.41	2881.57	2663.55	2.96	2.02	20.90	79.68	1079.90
42 Leisure & Hotels(25)	3177.34	+0.3	3166.48	3194.38	3225.24	2486.00	2.75	2.03	22.40	173.06	1727.88
43 Media(45)	4420.72	+0.2	4413.10	4402.86	4489.77	3339.76	2.07	2.05	29.56	91.89	1818.06
44 Retailers, Food(15)	2003.85	-0.1	2005.44	1987.54	2006.32	2055.91	3.91	2.36	13.55	83.74	1295.79
45 Retailers, General(45)	2161.67	.....	2162.40	2174.44	2178.85	1753.01	2.97	2.08	20.25	63.70	1256.73
47 Breweries, Pubs & Rest.(21)	3119.60	+0.5	3102.67	3100.36	3129.84	2614.68	3.32	1.98	16.01	88.29	1512.69
48 Support Services(50)	2599.53	-0.3	2607.11	2609.02	2632.62	1826.67	1.69	2.26	29.35	47.97	1669.38
49 Transport(23)	2590.49	-0.1	2593.06	2583.53	2574.70	2189.18	3.66	1.12	30.62	82.14	1100.63
60 UTILITIES(33)	2307.67	+0.9	2289.06	2255.03	2254.27	2480.38	5.61	1.76	12.70	167.56	1031.66
62 Electricity(12)	2393.20	+0.8	2374.82	2313.89	2308.82	2802.98	6.88	2.21	8.20	429.17	1295.90
64 Gas Distribution(2)	1298.27	-0.3	1301.59	1285.59	1266.02	1592.43	6.23	0.83	16.25	119.71	710.38
66 Telecommunications(8)	1989.25	+1.1	1967.54	1942.96	1946.62	2051.55	4.05	1.53	20.17	50.32	923.97
68 Water(11)	2118.58	+0.6	2106.61	2094.56	2105.78	2061.26	6.49	2.31	8.34	94.85	1198.17
69 NON-FINANCIALS(668)	2068.85	+0.2	2065.40	2057.50	2071.35	1833.25	3.77	1.82	18.21	77.56	1608.29
70 FINANCIALS(103)	3319.74	-0.1	3324.08	3298.19	3303.57	2698.09	4.00	2.36	18.25	124.19	1461.92
71 Banks, Retail(8)	4791.67	-0.4	4810.71	4752.40	4756.33	3751.96	3.79	2.71	12.17	175.98	1601.94
72 Banks, Merchant(6)	3721.46	-0.3	3732.34	3709.63	3723.15	3524.02	2.80	2.82	15.85	95.60	1197.96
73 Insurance(21)	1560.70	+0.2	1557.46	1544.11	1542.19	1376.75	5.39	2.27	10.22	79.70	1208.36
74 Life Assurance(7)	3834.00	+0.9	3799.85	3823.72	3852.81	3222.72	4.05	1.78	17.27	151.01	1630.08
77 Other Financial(20)	2678.44	+0.1	2675.09	2676.61	2680.33	2392.27	3.99	1.79	17.52	88.27	1563.29
79 Property(41)	1659.15	-0.1	1661.03	1660.99	1666.41	1345.83	3.87	1.26	25.57	48.52	1098.50
80 INVESTMENT TRUSTS(127)	3168.33	-0.2	3174.16	3177.53	3184.16	2868.26	2.25	1.12	49.72	60.33	1117.56
89 FTSE All-Share(898)	1975.88	+0.1	1973.90	1965.25	1976.34	1726.29	3.78	1.91	17.40	72.83	1705.69
FTSE Fledgling	1233.76	-0.1	1234.43	1235.46	1235.31	1074.83	2.81	0.66	67.72	30.21	1306.72
FTSE Fledgling ex IT	1248.77	.....	1248.86	1247.47	1247.04	1075.39	3.01	0.58	72.18	33.05	1322.33

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4020.2	4033.4	4030.6	4035.9	4034.5	4034.5	4030.4	4024.5	4025.7	4037.6	4020.2
FTSE 250	4440.2	4442.0	4442.2	4442.1	4444.8	4445.3	4446.4	4444.6	4442.6	4446.5	4438.7
FTSE 350	2000.5	2005.8	2004.8	2006.6	2006.6	2006.6	2005.1	2002.6	2002.9	2007.6	2000.5

Time of FTSE 100 Day's high: 9:05 AM Day's low: 8:30 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1187.4	1190.2	1190.9	1190.9	1191.6	1191.6	1191.6	1192.8	1193.9	1193.9	1186.7	+7.2
Pharmaceutlcls	5836.3	5845.2	5837.2	5841.1	5834.7	5835.2	5830.6	5818.7	5823.3	5820.7	5845.6	-24.9
Water	2094.4	2106.7	2106.4	2104.3	2105.7	2103.8	2103.4	2102.1	2101.5	2103.0	2090.8	+12.2
Banks, Retail	4865.1	4881.5	4894.0	4903.0	4895.8	4899.1	4883.6	4870.9	4859.1	4853.0	4872.1	-19.1

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FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Shares traded: [illegible] information.

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FT FINANCIAL TIMES GROUP

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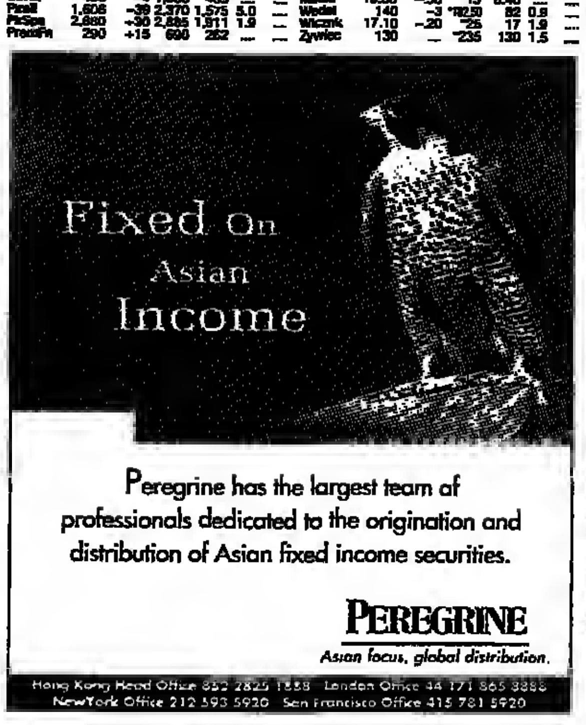
Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS



PORTUGAL (Oct 28 / Escudo)

		+/-	High	Low	Yld	P/E
BCO Pi	1,835	+1	2,300	1,401	5.4	...
BCPort	1,887	+5	2,250	1,675	3.2	...
BESint	2,881	-7	2,725	2,090	4.3	...
BancTA	2,775	+5	3,120	2,312	8.8	...
ModCnt	4,744	+29	4,800	3,430	1.3	...
PTelcm	3,960	...	4,180	2,705	2.3	...
Sonaw	4,488	-11	4,600	3,075	3.3	...
Unicer	2,804	-8	3,000	2,260	3.7	...

US INDICES

				High	Low	High	Low
Standard and Poors							
Composite‡	700.92	702.29	707.27	710.82 (18/10)	598.48 (10/1)	710.82 (18/10/96)	4.40 (1/6/32)
Industrials¥	825.21	827.72	834.21	839.55 (18/10)	702.07 (15/1)	839.55 (18/10/96)	3.52 (30/6/32)
Financial	75.49	75.24	75.54	76.00 (21/10)	58.67 (10/1)	76.00 (21/10/96)	7.13 (4/8/74)
NYSE Comp.	373.26	373.78	375.91	378.32 (18/10)	321.41 (10/1)	378.32 (18/10/96)	4.64 (25/4/42)
Amex Mkt Val	569.79	569.80	570.73	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1222.60	1227.00	1227.88	1256.10 (15/10)	988.57 (15/1)	1256.18 (15/10/96)	54.87 (3/10/74)

■ RATIOS

	Oct 18	Oct 11	Oct 4	Year ago
Dow Jones Ind. Div. Yield	2.12	2.16	2.15	2.42
	Oct 23	Oct 16	Oct 9	Year ago
S & P Ind. Div. yield	1.92	1.92	1.95	2.08
S & P Ind. P/E ratio	23.15	23.13	22.84	17.95

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Cent Ener	10,357,300	9¾	+⅛
Prem Frml	6,086,600	21½	+⅛
AT&T	5,852,200	35¼	---
Elec Data	5,706,700	46⅛	-1⅛
Micron	4,270,300	28⅛	-1
Chubb	3,455,100	50⅜	+5⅞
Gen Inst	3,164,700	20¼	+1½
Newbdge Net	3,065,100	28¾	-2¼
Pharm Upjhn	2,878,600	38½	+1
Officemax	2,695,000	13⅛	+¼

■ TRADING ACTIVITY

● Volume (million)

	Oct 25	Oct 24	Oct 23
New York SE	16.979	415.019	439.636
Amex	364.980	16.728	17.513
NASDAQ	564.364	553.539	562.173
NYSE			
Issues Traded	3,239	3,237	3,239
Rises	1,159	1,119	1,066
Falls	1,157	1,208	1,271
Unchanged	923	912	902
New Highs	102	106	89
New Lows	37	55	61

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	705.50	705.60	+0.25	706.35	704.65	68,096	176,221
Mar	-	711.75	-	-	-	383	5,641

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	20760.0	20970.0	+200.0	20970.0	20770.0	14,103	209,987
Mar	20830.0	20910.0	+70.0	20920.0	20830.0	254	12,353

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday, October 28, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Toshiba Corp	3.3m	735	+2	Nippon Steel Co	2.1m	334	
NEC Corp	2.8m	1240	+20	Ishihara Hvy Ind	2.0m	535	+11
Marubeni	2.7m	525	-10	Sanyo Electric	1.8m	562	+11
Toyo Ink Mfg	2.7m	575	+7	Taisei Corp	1.7m	714	+8
NKK Corp	2.2m	284	+1	Oki Electric Ind	1.7m	672	+1

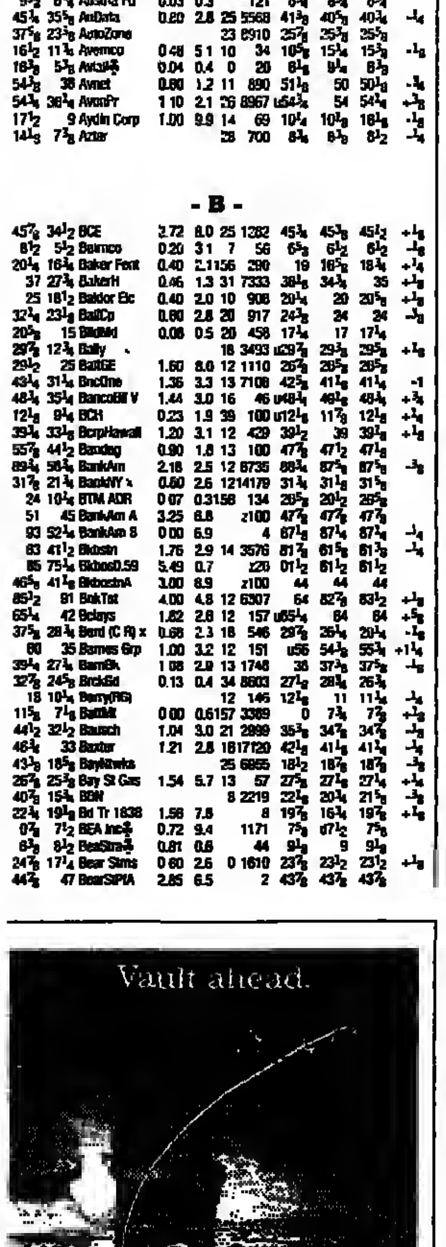
4 pm close October 28

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev Close
25¾	15	AshntiGDR	0.32	1.9		873	17	16¾	16¾	
44⅛	34¾	Ashlnd	1.10	2.8	14	794	42½	41¾	41⅞	-¼
26⅜	20½	Ashld Coal	0.46	2.0	23	120	24⅜	23½	23½	-⅝
16¼	11¼	Asia Pac F	0.04	0.3		243	12	11¾	11¾	-¼
3⅞	2¾	Asset Invr	0.38	10.9	6	101	3⅝	3½	3½	
49¼	35⅝	AT&T	1.32	3.7	36	53983	36¼	d35⅝	36⅞	-½
323⅜	260	Atl Rich 2	2.80	0.9		2	318⅝	317⅛	317⅛	-4½
14⅜	7¼	Atmta Sos	0.28	3.2	7	z100	8¾	8¾	8¾	
20	16	Atlntc Egy	1.54	8.7	10	276	17¾	17⅛	17¾	
135	107½	AtlRch	5.50	4.2	14	3641	134	131¼	131¾	-⅝
2	11/16	Atlas	0.50	50.0	2	298	1⅛	1	1	
31	20⅞	AtmosEn	0.96	4.2	13	34	23¼	22⅞	22⅞	-¼
27⅛	15⅛	Augat	0.16	0.6	43	1718	u27⅛	26¾	27⅛	+¼
9½	8¼	Austria Fd	0.03	0.3		121	8¾	8¾	8¾	
45¼	35⅝	AuData	0.20	2.8	25	5568	41⅜	40⅝	40¾	-¼
37⅝	23⅜	AutoZone			23	6910	25⅞	25⅜	25⅝	
16½	11¾	Avemco	0.48	5.1	10	34	10⅝	15¼	15¾	-⅛
16⅜	5⅜	Avialit	0.04	0.4	0	20	8⅛	9¼	8⅜	
54⅜	38	Avnet	0.60	1.2	11	890	51⅛	50	50⅛	-¾
54¾	36¼	AvonPr	1.10	2.1	26	8967	u54¾	54	54¼	+⅜
17½	9	Aydin Corp	1.00	9.9	14	69	10¼	10⅛	10⅛	-⅛
14⅛	7⅜	Aztar			28	700	8¾	8⅜	8½	-¼

- B -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Price	Chng Prev Close
45⅞	34½	BCE	2.72	8.0	25	1282	45¾	45⅜	45½	+⅛
6½	5½	Bairnco	0.20	3.1	7	56	6⅝	6½	6½	-⅛
20¼	16¾	Baker Fent	0.40	2.1	156	280	19	18⅝	18¾	+¼
37	27¾	BakerH	0.46	1.3	31	7333	36⅛	34¾	35	+⅛
25	18½	Baldor Elc	0.40	2.0	10	908	20¼	20	20⅝	+⅛
32¼	23⅛	BallCp	0.60	2.8	20	917	24⅜	24	24	-⅜
20⅝	15	BllyMd	0.08	0.5	20	458	17¼	17	17¼	
29⅞	12¾	Bally			18	3493	u29⅞	29⅜	29⅝	+⅛
29½	25	BaltGE	1.60	6.0	12	1110	26⅞	26⅝	26⅝	
43¼	31¼	BncOne	1.36	3.3	13	7108	42⅝	41⅛	41¼	-1
48¾	35¼	BancoBil V	1.44	3.0	16	46	u48¾	48⅛	48¾	+¾
12⅛	9¼	BCH	0.23	1.9	39	100	u12⅛	11⅞	12⅛	+¼
39¾	33⅛	BcrpHawaii	1.20	3.1	12	429	39½	39	39¼	+⅛
55⅞	44½	Bandag	0.90	1.8	13	100	47⅞	47½	47⅛	
89¼	58¼	BankAm	2.18	2.5	12	6735	88¾	87⅛	87⅝	-⅜
31⅞	21¾	BankNY x	0.80	2.6	12	14179	31¾	31⅛	31⅝	
24	10¼	BTM ADR	0.07	0.3	158	134	20⅝	20½	20⅝	
51	45	BankAm A	3.25	6.8		z100	47⅞	47⅞	47⅞	
93	52¼	BankAm 8	6.00	6.9		4	87⅛	87¼	87¼	-¼
63	41½	Bkbstn	1.76	2.9	14	3576	61⅞	61⅝	61⅞	-¼
65	75¼	BkbosD.59	5.49	0.7		z20	01½	61½	61½	
46⅝	41⅛	BkbostnA	3.00	8.9		z100	44	44	44	
85½	61	BnkTst	4.00	4.8	12	6307	64	82⅞	83½	+⅛
65¼	42	Bclays	1.82	2.8	12	157	u65¼	64	64	+⅝
37⅝	28¾	Bard (C R) x	0.68	2.3	18	546	29⅞	29¼	29¼	-⅛
60	35	Barnes Grp	1.00	3.2	12	151	u56	54⅛	55¾	+1¼
39¼	27¾	BarrGk	1.08	2.9	13	1748	38	37⅜	37⅝	-⅛
32⅞	24⅝	BrckGd	0.13	0.4	34	8603	27⅛	28¾	26¾	
18	10¼	Barry(RG)			12	146	12⅛	11	11¼	-¼
11⅝	7⅛	BattlMt	0.00	0.6	157	3389	0	7¾	7⅞	+⅛
44½	32½	Bausch	1.04	3.0	21	2899	35⅜	34⅞	34⅞	-⅛
46¾	33	Baxter	1.21	2.8	16	17120	42⅛	41⅛	41¼	-¼
43⅛	18⅝	BayNtwks			25	6955	18½	18⅞	18⅞	-⅜
26⅞	25⅜	Bay St Gas	1.54	5.7	13	57	27⅝	27⅛	27¼	+¼
40⅞	15¾	BBN			8	2219	22⅛	20¾	21⅝	-⅜
22¾	19⅛	Bd Tr 1838	1.56	7.8		8	19⅞	16¾	19⅞	+⅛
0⅞	7½	BEA Inc	0.72	9.4		1171	7⅝	d7½	7⅝	
8⅜	8½	BeaStra	0.81	0.6		44	9⅛	9	9⅛	
24⅞	17¼	Bear Stms	0.60	2.6	0	1610	23⅞	23½	23½	+⅛
44⅞	47	BearSIPIA	2.85	6.5		2	43⅞	43⅞	43⅞	



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4 pm close October 28

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Continued from previous page								
33⅝	22¾	SchwMaud	0.80	2.0	14	135	29¾	28⅞	29¾	+⅜
20⅞	12	SciAll	0.06	0.4	60	4230	14⅝	13⅞	13⅞	-1¾
24	17	Scotman	0.10	0.4	12	166	u24	23¾	23⅞	+⅛
48⅛	38⅛	Scripps	0.52	1.1	26	1104	47½	46¾	47	+⅜
18⅛	12⅞	ScuddrNwF	0.02	0.2		167	13⅛	13	13	-⅛
14⅛	11	ScuddrNEuF	0.16	1.2		206	14	13⅞	13⅞	-⅛
20¾	14¾	SeaCnA	0.77	4.5	23	215	17⅝	16¾	17⅛	-⅛
16	15	SeaCt 4625	1.46	9.7		7	15⅛	15⅛	15⅛	-⅛
69	36⅛	S'gate			32	9472	65½	64½	64⅞	+¼
38⅝	30⅞	Seagrm	0.60	1.7	24	1870	36½	36⅛	36⅛	+⅛
26	17⅛	Seagull En	1.20	5.7	50	2858	21⅜	21	21¾	
39⅝	29	Sealed Air	0.64	1.6	27	286	u39⅝	39⅜	39⅝	+¼
63⅞	38¼	SearsR	0.92	1.9	17	8675	49¾	48⅞	48⅝	-⅞
22¾	19¼	ScCpSBH	1.24	5.7	19	510	22⅛	21⅝	21⅞	-¼
13	11⅞	Seligm Sel x	0.84	6.9		67	12¼	12¼	12¼	-⅛
23¾	13⅛	Sensormat	0.22	1.3	12	1573	16⅜	16⅛	16⅜	-⅜
46½	29½	SequA	6.60	1.4	51	40	44⅞	44⅛	44⅛	-⅞
53⅝	39	SequB	0.50	1.0	60	10	52	52	52	
31¾	19½	ServCp	0.24	0.8	27	8178	28⅞	28⅜	28⅜	-½
26⅝	18½	SvMstr c	0.66	2.7	18	540	25⅝	24⅞	24⅞	-½
6¾	4⅞	Sandwich			12	1411	5⅛	5⅛	5⅛	-⅛
67½	28½	SGS Thm			11	878	53½	52½	52⅝	-½
15⅝	10⅝	Shaw Ind	0.30	2.6	30	7671	11⅜	11½	11¾	+¾
14¾	10⅛	Shelby Wil	0.32	2.3	15	25	14	13⅞	13⅞	
101½	76⅝	ShellTr	3.26	3.2	21	272	101⅛	100¼	100½	+¼
55⅝	30	SherWill	0.70	1.4	19	881	52	50⅜	50½	-⅞

3⅝	3	Zapata	0.14	3.9	10	231	3⅝	3⅝	3⅝	
25¾	5⅞	ZenithEl			6	2238	14⅞	13⅞	13⅞	
28⅞	21⅜	Zenith Nat	1.00	3.8	34	89	26¾	26	26⅛	-⅛
7¼	6½	Zenix Inc x	0.72	10.1		367	7⅛	7	7⅛	
22⅞	15⅛	Zero	0.12	0.8	16	48	19⅞	19¼	19¼	-¼
29	18½	Zurn Ind	0.40	1.6	29	342	25½	25¼	25¼	-¼
11⅝	10½	Zweig Fund	1.08	9.9		343	11	10⅞	10⅞	
6	3¼	Zweig Tot	0.64	10.0		318	8½	8⅜	8⅜	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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Dow trades narrowly at mid-session

AMERICAS

US shares were flat at mid-session with little in the way of corporate earnings reports or economic dats to provide the market with a direction, *writes Lisa Branstan in New York.*

Shares started with strong gains as momentum from Friday seemed to carry over into the new session, but by midday most of the leading indices had retreated into negative territory.

At 1 pm, Dow Jones Industrial Index was off 1.46 at 6,005.53 and the American Stock Exchange composite was 0.64 weaker at 569.15, while tha Standard & Poor's 500 crept up by 0.26 to 701.18. NYSE volume was 220m shares.

Technology shares were also mostly flat on a mixed performance by the largest companies in the sector. The Nasdaq composite was 0.66 lower at 1,221.94 and the Pacific Stock Exchange technology index slipped 0.3 per cent.

With the earnings reporting season largely over, analysts expected shares to trade in a narrow range until there were economic data that provided a clear indication of the direction of the US economy.

That could come from today's release of the third-quarter employment cost index or tomorrow's release of data on third-quarter economic growth. The most important figures of the week, however, are likely to be in Friday's report payroll employment in October.

Among the four largest technology companies on the Nasdaq, Intel advanced $1 at $106⅞, Microsoft was $1⅛ stronger at $137¼ and Oracle Systems added $⅛ at $42⅝, while Cisco Systems lost $1 at $58¾.

The strongest performers on the Dow were Minnesota Mining & Manufacturing, up $⅞ at $75¼, Procter & Gamble, $1¼ stronger at $95⅝ and Philip Morris, which added $1¼ at $93¾.

Loctite, the maker of chemical sealants and adhesives, jumped $11⅞ to $57⅞ on news that Henkel was in the market to acquire the 65 per cent of the company it did not already own.

TORONTO gained ground after the tenth interest rate cut this year by the Bank of Canada, aimed at providing a further boost the economy. By noon, the TSE-300 composite index was 19.00 higher at 5,568.80.

Bre-X Minerals jumped C$3.80 to C$24.60 as it forged an alliance with Indonesia's Panutan Duta, under which Panutan would help Bre-X to develop its Busang gold deposit.

Tarxien, the motor components company, picked up C$1.40 to C$13.90 as its board said that it would recommend shareholders to accept a C$14.10 a share offer from Gecamex Technologies.

Mexico City ahead

MEXICO CITY moved ahead during the morning session with sentiment underpinned by the weekend renewal of the "economic pact" between the government, business and the unions, together with the onset of the third-quarter results season.

The IPC general index was up 7.32 at 3,240.60 at mid-session.

CARACAS also overturned last week's weakness, improving steadily in early trading. At mid-session the IBC index was 42.19 higher at 6,015.68. Dealers said that the market was mostly casting around for fresh leads. "Almost everyone is waiting for details of the CANTV flotation," said one trader.

BUENOS AIRES was modestly ahead at the close of the morning session with the Merval index 0.31 better at 559.68. Brokers said investors were starting to move back into the market after the recent heightened worries over state corruption.

MARKETS IN PERSPECTIVE

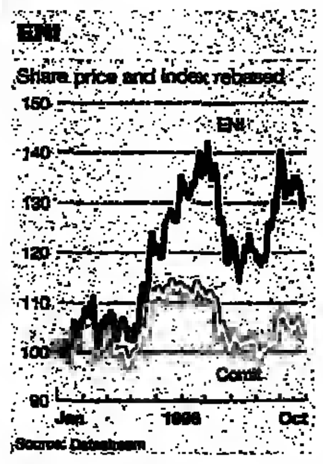
	% change in local currency †				% change sterling ‡	% change in US $ ‡
	1 Week	4 Weeks	1 Year	Start of 1996	Start of 1996	Start of 1996
Austria	-1.99	+0.82	+14.34	+9.49	-0.43	+2.68
Belgium	+0.22	+1.35	+23.29	+12.42	+2.07	+5.46
Denmark	-1.65	+3.35	+25.26	+21.01	+11.26	+14.75
Finland	-1.76	+2.72	+3.31	+23.10	+13.43	+17.20
France	-0.90	+2.98	+24.04	+18.43	+8.99	+12.61
Germany	-1.79	+0.77	+22.49	+16.58	+8.01	+9.54
Ireland	-0.11	+1.72	+27.19	+20.69	+17.79	+21.70
Italy	-0.63	-2.39	+6.48	+1.11	+1.97	+5.36
Netherlands	-0.75	+4.06	+32.50	+22.22	+10.97	+14.66
Norway	-1.05	+3.12	+17.09	+16.37	+10.34	+14.01
Spain	+1.11	+5.21	+38.03	+21.40	+11.17	+14.97
Sweden	-0.57	+4.35	+25.94	+26.32	+23.08	+27.17
Switzerland	-1.15	+1.74	+21.91	+13.32	-0.02	+3.30
UK	-0.71	+1.55	+13.41	+9.00	+9.00	+12.62
EUROPE	-0.86	+1.95	+19.57	+13.91	+8.01	+11.59
Australia	-0.45	+2.42	+10.48	+4.71	+7.90	+11.48
Hong Kong	-1.31	+3.73	+22.35	+18.48	+15.64	+19.48
Japan	-3.63	-3.91	+8.54	-1.51	-13.29	-10.40
Malaysia	+0.53	+3.93	+23.76	+19.27	+16.84	+20.83
New Zealand	-7.92	+4.23	+3.74	+5.98	+10.35	+14.01
Singapore	+2.02	-4.04	+4.04	-5.39	-8.56	-5.53
Canada	+0.94	+4.38	+30.04	+18.20	+17.09	+20.97
USA	-1.52	+1.85	+19.36	+13.42	+9.77	+13.42
Mexico	-2.25	+0.12	+45.70	+16.63	+9.55	+13.19
South Africa	-0.69	-0.36	+17.83	+11.64	-14.79	-11.95
WORLD INDEX	-1.67	+0.69	+17.10	+10.11	+3.66	+7.10

† Based on October 25th 1996. © Copyright, FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1996. All rights reserved.

Dax ignores bonds to climb above 2,700

EUROPE

Good performances hy a number of index haavyweights allowed FRANKFURT to shrug off the negative influence of a limp bond market and climb back above 2,700 on the Dax.



BASF and Metro powered ahead by more than 3 per cent and Daimler-Benz, Volkswagen and Continental all put on more than 2.5 per cent. At the close, the Dax was up 12.54 at an Ibis-indicated 2,703.33.

News of joint venture talks with DSM of the Netherlands pushed BASF up by DM1.57 to DM48.88, and Metro, depressed lately hy tax concerns, gained DM3.90 to DM130.40 after the top retailer announced that there was "no need" to correct recent prospectus statements.

VW ended DM14.75 bstter at DM597.75 after confirmation that the German ministry of justice plans to scrap corporate voting rights restrictions. Daimler rose DM2.47 to DM89.90, mostly in sympathy. Continental ended 65 pfg better at DM26.50. Bankgesellschaft Berlin, which is in cooperation talks with Norddeutsche Landesbank, dipped 35 pfg to DM27.75.

PARIS shares turned weaker in modest volume and, at the close, the CAC 40 index was down 12.,04 at 2,150.39.

Lagardère, off sharply on Friday, continued to be buffeted by profit-taking, this time prompted by talk that its takeover of the Thomson group may face political hurdles.

Tha shares fell almost 7 per cent to close off FFr11.50 at FFr154.5 for a two-day declina of FFr15.50.

Usinor Sacilor roae strongly following an upbeat press report. Tha shares jumped more than 2 per cent on talk of easier times ahead for steel makers, ending up FFr2.00 at FFr77.30.

Rhône-Poulenc continued to improve as investors warmed to Friday's strong nine-month results. The shares added FFr3.00 to FFr150.

Sligos and Axims, two computer groups, were suspended at the opening after the announcement of link-up talks. There was speculation that the shares would rise sharply when dealings resume.

AMSTERDAM traded narrowly to end with the AEX index little changed. DSM came off 50 cents to Fl 166.60 ahead of third-quarter results today in spite of news of joint venture talks with the German chemicals giant BASF.

Philips, a strong market at the close of last week on hopes of a restructuring recovery in 1997, eased back 90 cents to Fl 61.30. Hoogovens shot ahead on hopes for an upturn in European steel prices. It gained 90 cents to Fl 62.40.

At the close, the AXE index was 0.97 hetter at 591.15.

STOCKHOLM was pulled higher by a 2.4 per cent rise in Ericsson, whose shares gained in New York on Friday and ahead of today's nine-month results, widely expected to show a near 30 per cent rise in pre-tax profits. Ericsson added SKr4.50 to SKr189 and the Affärsvärlden general index finished 11.0 higher at 2,191.7.

Autoliv picked up SKr3 to SKr286.50 as the car safety equipment manufacturer attributed a 14 per cent increase in nine-month profits to cost cutting and improved group synergies.

ZURICH edged higher in thin trade in response to early strength on Wall Street and a firm dollar and the SMI index added 4.8 to 3,763.5.

UBS added SFr6 to SFr1,240 as the bank said results for the first nine months were higher than a year earlier, although the third qnarter, which inclnded the summer lull, lagged behind strong first-half results. Analysts said the figures were in line with most expectations, although a continuing high level of provisions was disappointing.

SMH put on SFr6 to SFr792 after several buy recommendations.

A continuation in Friday's recovery by Tag Heuer, the sporting watchmaker, which gained SFr7.25 to SFr219.25, was attributed to purchases by a US or British broker.

MILAN's attention was focused on Eni after the second tranche sale of the state controlled oil and gas giant was judged by analysts to have been a predictable success. Eni shares finished L20 higher at L7,190, but well down from the day's best level of 7,315.

Trading volume was limited, however, to 25.4m shares, with institutional investors awaiting confirmation of their shara allocations and private investors unable to sell their holdings until today.

The Comit index picked up 2.58 to 616.09, but the realtima Mibtel index turned back from a high of 9,897 to finish 39 weaker at 9,788 as the market took its lead from a weak bond market.

MADRID was broadly lower, with the general index down 1.12 to 381.68, although details of the privatisation calendar prompted interest in key stocks.

Santander fell Pta60 to Pta6,700 on nine-month results that were in line with expectations, although they underperformed other banks' results.

WARSAW lost 2.6 per cent, continuing lower for a ninth consecutive session, and analysts warned that strongar selling pressure after the day's price-fixing suggested that the main market would face further profit-taking today before a possible rebound.

Conditions for such a rebound, they said, could include agreement between the two parties in the ruling coalition on tax rates for next year, after the lower house of parliament's surprise vote last Thursday cutting taxes for low earners.

The Wig index fell 350.4 to 13,149.0. Dealers said that a 2.80 zloty tumble to 25.40 zlotys was exaggerated by low turnover in the share.

TEL AVIV fell 1.5 per cent, registering disappointment at a lower-than-expected 0.3 percentage point reduction in short-term interest rates to 15.2 per cent. The Mishtanim index lost 2.78 to 185.25, but in low turnover, with news of the failure of talks with the Palestinians over Hebron adding to the downbeat mood. First International Bank of Israel fell 1.8 per cent to Shk33,921.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Oct 28	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1773.79	1775.06	1775.62	1775.66	1776.01	1775.41	1774.52	1775.01
FTSE Eurotrack 200	1833.01	1833.14	1834.46	1834.64	1834.30	1831.89	1831.88	1832.23
	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21			
FTSE Eurotrack 100	1786.58	1772.46	1777.80	1788.23	1789.46			
FTSE Eurotrack 200	1821.87	1820.24	1829.37	1843.38	1840.58			

Base value 1000 (26/10/90); Highday: 100 - 1776.75; 200 - 1837.28 Lowday: 100 - 1773.41 200 - 1830.18. † Partial. © FTSE International Limited 1996. All rights reserved.

Manila tumbles 3.7% as Tokyo stages rebound

ASIA PACIFIC

Worries about corporate earnings sent MANILA juddering lower in heavy volume and the composite index fell 3.7 per cent, its steepest ever one-day decline.

The market was in hlack mood from the opening bell following disappointing profits on Friday from Philippine National, the leading hank, and from Piltel, the mobile phones group hit by fraud losses.

Shares fell through the important 2,900 level early in the session and at the close the index was off 110.44 at 2,852.16, its lowest level for seven months.

PNB ended 10 pesos lower at 312 pesos. Piltel moved to a new low for the year of 23 pesos, down 1 peso.

TOKYO rebounded sharply to break a five-day losing streak as the yen's fall against the dollar drove up some export-oriented issues, *writes Gwen Robinson.*

Trading volume, however, slid as investors were cautious after last week's 4.2 per cent tumble in the 225 index.

The Nikkei average added 145.44 to close at 20,885.41 after fluctuating between 20,733.17 and 20,907.37. The Topix index of all first-section stocks climbed 7.18 to 1,564.94, and the capital-weighted Nikkei 300 was up 1.13 at 293.12. Advances led declines 718 to 318 with 195 unchanged. Volume, however, plunged to 198m shares against last Friday's 311m.

In London, the ISE/Nikkei 50 index climhed 2.74 to 1,420.89.

Traders noted large-lot huying hy some domestic institutional investors, but said the market seemed reluctant to taka positions either way amid political uncertainty and in the absence of fresh incentives.

The yen's further fall against the dollar encouraged some huying of export-oriented issues, but deterred foreign investors who traded Japanese shares on a dollar basis and saw greater risks in chasing higher prices on the Tokyo market.

However, securities analysts saw prospects for an imminent share market rally given growing concerns about overheating in the booming bond market where key bond futures reached highs for the sixth consecutive trading day.

Export-oriented hlue chips, including high-tech companies and most car makers, benefited from the weaker yen.. NEC added Y20 to Y1,240 and Sony climbed Y30 to Y6,890. Toshiba, the day's most active stock, rose Y2 to Y735 on heavy buying following the company's announcement last Friday of improved profits for the first half to September.

Among car makers, Honda Motor rose Y20 to Y2,700 and Toyota Motor added Y10 to Y2,700. Nissan Motor, however, fell Y5 to Y858 on foreign selling.

Oil refiners gained ground, reflecting higher crude prices on the international market. Tomen was up Y30 to Y1,550 and Nippon Oil gained Y15 to Y667.

In Osaka, the OSE average added 58.72 to 21,387.96 in volume of 11.6m shares.

HONG KONG was hit by an afternoon slide as a pause in the market's recent rally prompted profit-taking. The Hang Seng index closed 125.61 lower at 12,262.77 in turnover that eased to HK$5.5bn.

Strong property stocks led the decline with Cheung Kong and Sun Hung Kai Properties each down HK$1 at HK$60.25 and HK$85 respectively. Hysan Development bucked the trend to end 10 cents up at HK$24.30.

SINGAPORE was depressed hy profit-taking after last week's modest run-up and by disappointing first-half results from Singapore Airlines.

SIA's foreign shares closed down S$1 at S$13 and its local shares were 5 cents weaker at S$7.55 as DBS Securities cut its recommendation on the stock. The Straits Times Industrials index ended 9.35 lower at 2,067.85, reversing the gains of the previous four sessions.

KUALA LUMPUR saw blue chips succumb to profit-taking as investors took a largely downbeat view of last Friday's budget, while the second board surged to an all-time high. The composite index fell 10.86 to 1,162.09 while the Second Board index was up 5.74 to 637.10.

SEOUL lost ground on fears of an oversupply of shares next month when rights issues were expected to account for Won780bn and about Won200bn-worth of margin loans will have to be paid back. The composite index fell 11.73 to 780.08.

KARACHI finished higher as investors squared positions for the close of the account, but political unrest kept sentiment mixed.

Brokers said there were rumours of foreign buying, but that the overall mood was clouded by reports of more clashes between police and Islamic militant demonstrators in Islamabad and nearby Rawalpindi. The 100-share index rose ended 14.61 higher at 1,433.34.

BANGKOK moved lower ahead of economic indicators to be released this week. The SET index closed off 6.79 at 931.51 for a three-day decline of 19 points. Concern about next month's general election was also beginning to emerge, said one broker.

SYDNEY closed slightly lower after a clear shakeout for resource stocks. The All Ordinaries index ended off 1.1 at 2,334.1. BHP shed 25 cents to A$16.85 and CRA 17 to A$19.85.

Wellington was closed.

Rand hits S Africa industrials

Johannesburg's industrial shares ended weak in busy trading under pressure from an ailing rand, but gold shares were lifted by a better rand gold price and stronger bullion.

The overall index fell 20.9 to 6,964.8, industrials fell 37.5 to 8,221.4 and golds gained 13.8 to 1,717.7. Analysts noted that the rand sank to new lows against the dollar and pound, hit by fresh speculative demand out of London.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY OCTOBER 25 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY OCTOBER 24 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	211.65	-2.0	195.80	151.84	167.78	177.92	-1.9	4.28	216.14	201.37	154.22	171.11	181.41	216.14	178.98	181.32
Austria (24)	179.56	-0.6	166.95	128.70	142.21	142.11	-0.7	1.98	180.92	166.55	129.09	143.22	143.12	195.04	168.36	171.60
Belgium (27)	220.56	-0.1	203.85	158.09	174.68	170.64	-0.1	3.81	220.89	205.80	157.61	174.86	170.89	221.98	193.45	185.80
Brazil (28)	181.84	-1.2	168.21	130.33	144.02	343.78	-1.1	1.76	183.97	171.40	131.26	145.64	347.44	189.70	123.97	142.81
Canada (116)	176.57	-0.1	166.97	126.70	142.22	174.75	-0.2	2.09	178.71	167.43	128.04	142.27	175.12	180.93	135.78	135.93
Denmark (30)	331.36	-0.9	306.25	237.49	262.44	263.38	-0.1	1.75	332.26	309.55	237.06	263.02	263.74	335.30	276.89	285.47
Finland (23)	219.25	-0.4	202.64	157.14	173.65	230.66	-0.4	2.08	220.10	205.05	157.04	174.23	211.18	230.56	171.73	230.36
France (93)	202.03	0.5	186.73	144.80	160.01	153.00	0.5	2.96	201.07	187.33	143.46	159.17	152.18	202.03	167.70	171.01
Germany (58)	178.31	-0.2	165.72	128.51	142.01	142.01	-0.2	1.74	178.68	167.40	128.20	142.24	142.24	181.04	156.86	160.03
Hong Kong (58)	463.23	-0.7	428.14	332.01	366.88	459.84	-0.7	3.32	466.40	434.53	332.78	369.22	463.00	470.69	358.97	378.55
Indonesia (27)	205.34	-1.0	189.76	147.17	162.63	293.16	-0.9	1.72	207.48	193.30	148.04	164.25	295.93	[illegible]	[illegible]	[illegible]
Ireland (16)	310.95	0.4	287.40	222.87	246.28	271.08	-0.1	3.32	309.70	288.53	220.97	245.17	271.39	313.15	241.27	245.45
Italy (58)	77.65	-0.4	71.77	55.65	61.50	88.30	0.1	2.33	77.92	72.03	55.17	61.21	88.23	84.53	67.22	68.73
Japan (480)	138.81	-1.3	128.30	99.48	109.94	99.49	-0.9	0.77	140.66	131.05	100.35	111.35	100.36	164.86	137.75	143.14
Malaysia (107)	586.17	-0.3	541.76	420.12	464.24	565.81	-0.2	1.18	587.74	547.57	419.35	465.27	565.78	597.74	425.77	468.85
Mexico (27)	1172.32	-2.9	1083.51	840.23	928.47	10177.17	-1.4	1.35	1206.68	1124.20	860.96	955.24	10316.40	1325.65	791.99	940.21
Netherland (19)	312.69	0.4	289.00	224.11	247.65	243.87	0.4	3.03	311.49	290.19	222.24	246.58	243.05	313.59	261.81	256.42
New Zealand (15)	90.82	-1.2	83.94	65.10	71.93	88.56	-1.5	4.00	91.93	85.65	65.59	72.78	89.68	94.35	75.94	81.82
Norway (35)	263.88	-0.4	243.70	189.06	208.83	230.81	-0.5	2.20	264.67	246.58	188.84	209.52	231.88	265.72	222.24	235.42
Philippines (22)	187.78	-2.6	173.56	134.59	148.72	245.65	-2.6	0.65	192.81	179.63	137.57	152.63	252.51	[illegible]	[illegible]	[illegible]
Singapore (43)	384.72	0.6	355.57	275.73	304.60	251.13	0.6	1.11	381.82	355.54	272.29	302.10	249.09	465.21	361.94	369.41
South Africa (44)	339.27	-1.3	313.57	243.18	268.70	342.79	-1.1	2.24	343.76	320.26	245.27	272.13	344.81	437.76	314.20	366.19
Spain (37)	189.75	-0.2	175.37	136.00	150.28	184.32	-0.2	3.19	190.09	177.09	135.63	150.48	184.84	190.09	145.15	147.58
Sweden (48)	390.90	0.3	366.83	284.47	314.34	367.40	0.5	2.21	395.52	368.49	282.20	313.11	365.42	396.97	294.19	314.72
Switzerland (37)	243.77	-0.2	225.30	174.72	193.07	190.77	0.2	1.56	244.18	227.49	174.22	193.30	190.41	254.34	218.07	222.41
Thailand (45)	117.24	-0.1	108.36	84.03	92.86	116.09	0.0	2.59	117.17	109.15	83.60	92.75	115.69	183.95	112.17	161.04
United Kingdom (213)	259.63	1.4	239.96	186.08	205.63	239.96	0.5	3.93	256.17	238.66	182.78	202.79	238.66	260.57	222.29	225.41
USA (623)	284.87	-0.2	263.26	204.24	225.69	284.87	-0.2	2.09	285.54	266.02	203.73	226.04	285.54	289.37	236.38	238.75
Americas (794)	260.82	-0.2	241.06	186.95	206.59	219.28	-0.2	2.05	261.44	243.57	186.54	206.97	219.76	264.65	215.17	217.39
Europe (718)	224.15	0.6	207.16	160.66	177.54	193.53	0.3	2.66	222.83	207.59	159.06	176.46	192.96	224.79	191.44	194.12
Nordic (136)	337.13	-0.1	311.59	241.63	267.00	289.57	0.2	2.16	336.84	313.82	240.34	266.65	289.03	339.22	261.13	283.82
Pacific Basin (876)	154.88	-1.2	143.24	111.08	122.74	112.19	-0.9	1.25	156.89	146.15	111.84	124.20	113.17	177.01	148.65	153.78
Euro-Pacific (1594)	183.69	-0.3	169.78	131.68	145.48	142.85	-0.3	2.12	184.26	171.69	131.49	145.89	143.25	190.57	166.51	170.46
North America (739)	278.88	-0.2	257.55	199.72	220.70	277.72	-0.2	2.09	279.20	260.12	199.21	221.02	278.27	282.57	230.17	232.39
Europe Ex. UK (505)	200.31	0.1	185.14	143.57	158.65	168.42	0.1	2.40	200.13	186.45	142.78	158.43	166.17	200.84	170.51	173.21
Pacific Ex. Japan (396)	297.17	-0.9	274.66	212.99	235.36	258.41	-0.8	2.90	299.79	279.30	213.90	237.32	258.59	299.79	243.59	254.80
World Ex. US (1809)	185.66	-0.3	171.59	133.08	147.04	147.28	-0.3	2.11	186.32	173.58	132.94	147.49	148.37	191.56	167.36	171.28
World Ex. UK (2219)	212.62	-0.5	196.52	152.39	168.40	182.12	-0.3	1.90	213.62	199.02	152.41	169.10	182.74	216.41	185.61	188.74
World Ex. Japan (1952)	257.98	0.0	238.43	184.90	204.31	243.32	-0.1	2.43	258.05	240.41	184.12	204.28	243.57	260.37	217.26	219.21
The World Index (2432)	216.66	-0.3	200.24	155.28	171.59	187.32	-0.2	2.10	217.28	202.43	155.03	172.01	187.80	220.11	186.87	191.94

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exECUtion

LIFFE's Three Month ECU Future

Designated Market Makers

Istituto Bancario San Paolo di Torino S.p.A.

Kredietbank N.V.

NatWest Futures Limited (acting on behalf of NatWest Markets)

SGF Chase Futures & Options (acting on behalf of The Chase Manhattan Bank)

UBS Futures & Options Limited (acting on behalf of Union Bank of Switzerland)

On 18 June LIFFE renewed its Designated Market Maker scheme for the Three Month ECU futures contract.

The Designated Market Makers are now committed to the tightest bid/offer spreads and greatest size ever: four ticks maximum, fifty lots minimum on all eight delivery months.

This is important news, particularly for the execution of business in the four back months of the contract, where you can now get better liquidity for all of your trading needs.

For further information on LIFFE's Three Month ECU futures contract please contact David Angel or Richard Powell (tel. +44 171 379 2436/2419) at LIFFE.

LIFFE's Three Month ECU Future. Trading from Strength to Strength.

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